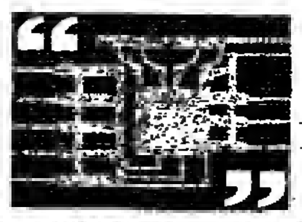
FINANCIAL TIMES

US-Japan
War of words begins in car trade talks
Page 6

Mauritius
Growing pains in paradise
Page 4



Technology
Business, society and the paperless office
Page 14

SATURDAY'S
Weekend FT
Down and out in Bombay

World Business Newspaper THURSDAY APRIL 13 1995 D8523A

EU and Canada fail to agree over fishing dispute

EU ambassadors failed to ease their bitter fish dispute with Canada, insisting that any deal must be multilateral and should include compensation for the seizure of a Spanish trawler. A British official said the key questions for the EU were compensation for Canada's seizure of the Spanish trawler Estai and extending any EU-Canada deal to the other countries which fish the area.

Brewer moves to expand Budweiser: Anheuser-Busch, the world's largest brewer, is to gain management control for the first time of a European brewery as a further step in the international development of its Budweiser lager. Page 17; Buds of European expansion, Page 23

Bank computer checks proposed: The Basle committee of bank supervisors from the Group of Ten industrialised countries proposed that banks be allowed to use their own computer models to calculate how much capital they must hold against potential losses from financial trading. Page 16

US consumer prices rise: US consumer prices rose less than expected last month, indicating that upward pressure on inflation remains fairly modest, the Labour Department reported. Page 7

Chirac retains lead in French poll:

A traditional left-right contest in the May 7 run-off election for the French presidency looked likely after the latest polls showed that Socialist candidate, Lionel Jospin, had edged Prime Minister Edouard Balladur out of second place behind Mr Jacques Chirac (left). Only the two leaders after voting on April 23 go on to the run-off. Page 3

Unctad wants incentives curbed: The United Nations Conference on Trade and Development has called for international negotiations to curb incentives for foreign direct investment. Page 6

United to replace 94 aircraft: United Airlines will replace 94 aircraft over the next five years, giving the airline 19 more aircraft by 1997. Page 22

Volvo sells bank for $136m: ABN Amro, the Dutch bank, agreed to buy Alfred Berg, a leading Nordic investment bank, from Volvo of Sweden in a deal worth at least SKr1bn ($136.4m). Page 19

Japanese cult member arrested: Japanese police arrested a senior member of the Aum Shinri Kyo religious cult implicated in last month's gas attack on the Tokyo subway. Page 4

Weston profits fall 11%: George Weston Foods, the Australian bakeries and food group, announced an 11.3 per cent fall in profits after tax to A$22.9m (US$16.96m) for the six months to end-January. Page 20

Pressure on Argentine banks: Pressure is growing for a sweeping consolidation of Argentina's banking system, with many small and medium-sized banks closing for the Easter bank holiday amid uncertainty over their future. Page 5

JAL to cut 800 staff: Japan Airlines, the country's largest carrier, is to cut 800 administrative and clerical staff from its headquarters as part of a cost-cutting programme. Page 20; Lex, Page 29

Birmingham Steel plans expansion: US steel-maker Birmingham Steel has announced plans to expand operations, potentially doubling melting capacity to 4m tons. Page 21

US and Japan resume car trade talks: The US and Japan resume talks over trade in cars, with Washington pressing for increased purchases of car parts by Japanese companies and greater space for imports in Japanese showrooms. Page 6

Gunmen kill Rwandan refugees: Gunmen slaughtered 29 Rwandan refugees and wounded 54 near Rwanda's eastern border in the first such attack on a camp in Zaire since the exodus a year ago, UN officials said.

Israel bars Palestinians: Israel will bar entry of all Palestinians from the West Bank and Gaza Strip at the start of the 10-day Jewish holiday of Passover, police minister Moshe Shahal said.

FT Easter publication

The Financial Times will not be published tomorrow or on Easter Monday. It will be published on Saturday and from Tuesday, April 18.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,190.54	(+3.46)
NASDAQ Composite	825.95	(+1.12)
Europe and Far East		
CAC40	1,871.93	(+2.62)
DAX	1,968.47	(-5.26)
FT-SE 100	3,209.8	(+18.9)
Nikkei	16,344.9	(+76.04)

US LUNCHTIME RATES

Federal Funds	$5\frac{15}{16}$%
3-mth Treas Bills: Yld	5.796%
Long Bond	$103\frac{1}{8}$
Yield	7.359%

OTHER RATES

UK: 3-mo Interbank	$6\frac{19}{32}$%	($6\frac{1}{2}$%)
UK: 10 yr Gilt	$100\frac{5}{32}$	($100\frac{3}{8}$)
France: 10 yr OAT	97.83	(97.96)
Germany: 10 yr Bund	101.85	(101.49)
Japan: 10 yr JGB	106.773	(107.377)

NORTH SEA OIL (Argus)

Brent 15-day (May)	$18.83	(18.525)

GOLD

New York: Comex		
(June)	$392.7	(393.0)
London:		
close	$390.1	(390.4)

DOLLAR

New York: lunchtime		
£	1.591	
DM	1.4037	
FFr	4.887	
SFr	1.1563	
Y	83.775	
London:		
£	1.5884	(1.5962)
DM	1.4048	(1.401)
FFr	4.8954	(4.8833)
SFr	1.1585	(1.1515)
Y	84.08	(83.635)

STERLING

DM	2.2313	(2.2362)
Tokyo close:	Y 83.42	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Peo50	Switz	SFr3.80
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Iacocca joins largest shareholder in bid approach ■ Move sends share prices soaring

$23bn buy-out plan for Chrysler

By Richard Waters in New York

The future of Chrysler, the third-biggest motor manufacturer in the US, was thrown into question yesterday as Mr Kirk Kerkorian, its biggest shareholder, proposed a buy-out which valued the company at $22.8bn.

If completed, the deal to take Chrysler private would rank as the world's second-biggest takeover, after the $24.5bn paid in the buy-out of RJR Nabisco, the US tobacco and food group, in 1988.

Mr Kerkorian's proposal to launch a buy-out for the company was not backed up by a formal offer, and he has yet to approach other financiers to raise the money for the suggested all-cash bid.

Chrysler's share price leapt by nearly a quarter during morning trading in New York as the stock market anticipated that the 77-year-old investor would either launch an offer or flush out another bidder.

Mr Kerkorian is perhaps best known for acquiring controlling stakes in Metro-Goldwyn-Mayer film studios and Western Airlines, both of which ran into problems. Some in the film industry have not forgiven him for his treatment of MGM during his period of ownership, accusing him of asset stripping.

Mr Kerkorian, who holds 10 per cent of Chrysler's shares, has been joined in the bid approach by Mr Lee Iacocca, the motor company's former chairman and a near-legendary figure in the US business world. Neither will put up new money to back the buy-out, but both said they would leave their current investments in the company.

Tracinda, Mr Kerkorian's private investment company, added that Mr Iacocca would not take up a management role at the company, though he would act as a consultant to the investors.

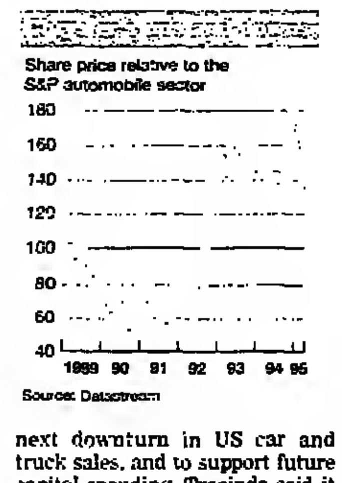
Mr Iacocca's retirement at the end of 1992 came after pressure from outside shareholders for him to hand over the reins of the company. He became a household name in the US after masterminding a government-sponsored rescue of the company in the early 1980s, only to see it founder again at the end of the decade.

- **December 1990:** Kerkorian builds up 9.77 per cent stake in ailing Chrysler, at about $12 a share. The stake, a passive "investment", costs $272m.
- **October 1991:** Kerkorian invests further $61m to avoid dilution during Chrysler's sale of 35m shares at $10 1/8. Holding rises to 28m shares.
- **August 1992:** Kerkorian concerned about Chrysler's top management, notably chairman Lee Iacocca, and suggests he might seek boardroom representation.
- **August 1992:** Withdraws threat after meeting senior Chrysler executives.
- **November 1994:** Kerkorian says he wants to raise stake and calls on Chrysler's board to enhance shareholder value. Tracinda, his corporate vehicle, plans legal action under US anti-trust law to raise holding to up to 15 per cent, without triggering Chrysler's "poison pill" defences.
- **December 1994:** Tracinda obtains permission to raise stake.
- **April 1995:** Kerkorian and Iacocca make bid approach.

Page 18

- Twice back from the brink again on the spot
- The man who sold Dorothy's slippers
- A step back towards those hostile late 1980s
- Saviour from Ford
- Grand designs home and away

Editorial Comment .....Page 15
Lex .....Page 16



Chrysler said it would not recommend or reject the proposal until it had received details from Mr Kerkorian. It added that Tracinda had said it had not retained a financial adviser to advise on the deal or received any commitments from financiers.

Mr Alex Yemenidjian, a Tracinda executive, denied that the announcement yesterday was part of a plan to flush out a higher offer for the company. He also denied that Mr Kerkorian was trying to put pressure on Chrysler's board to buy back his stake.

"We are not focused on an exit strategy or anything of the sort," he said. "We are in a buying mode, not a selling mode." He added that Mr Kerkorian would not prevent Chrysler's board from considering other offers.

The deal outlined yesterday would involve buying Chrysler for $55-a-share in cash. The buy-out would be financed in part with $5bn of Chrysler's cash board, which stands at $7.7bn, and would also involve the company raising $10.7bn of new debt.

The proposal puts a value of $22.8bn on Chrysler, assuming all outstanding stock options and preferred shares are converted to equity. It values the outstanding shares of the company at $19.5bn.

Chrysler's board, led by Mr Robert Eaton, chairman, has argued that the company needs the cash to cushion it against the next downturn in US car and truck sales, and to support future capital spending. Tracinda said it believed the company did not need so much cash, and could rely more on its credit lines.

Despite the proposed rise in net debt of more than $15bn, the Kerkorian camp argued that the offer should not be compared with the leveraged buy-outs of the 1980s, when big companies

Continued on Page 16

IMF loan fails to staunch decline in rouble

By John Thornhill in Moscow

The day after the International Monetary Fund approved a $6.8bn loan for Russia, the rouble fell beyond 5,000 to the dollar for the first time, and workers took to the streets demanding the payment of wages on time.

Government officials, while trying to ignore the protests and a series of strikes, welcomed the IMF's stand-by loan, intended to help stabilise and reform the economy.

At least one official was confident about the future of the rouble. Mr Alexander Livshits, the president's economic adviser, said the 5,000-rouble barrier was merely a symbolic figure, and he forecast that the currency would soon strengthen.

"I have already said, and I again repeat, that the fate of the dollar in Russia is very poor. I would not advise anyone to hold dollars as assets," he said.

The nationwide protests by workers took varied forms. In Yakutia, in eastern Siberian, striking teachers held talks with local officials on how to improve their situation.

In Samara, in Russia's south, trade union demonstrators carried coffins symbolising the fate of the defence industry and agriculture.

But a demonstration outside government offices in Moscow was sparsely attended, while a rally of several thousand people in St Petersburg fell short of expected numbers.

The trade union movement, which had called the day of action to protest against a decline in living standards as well as the late payment of wages, claimed 1.5m workers took part in industrial action around the country.

The rouble closed at 5,008 to the dollar yesterday compared with 4,991 on Tuesday and 3,570 at the start of the year.

In the agreement with the IMF, the government has promised to bring monthly inflation down to 2 per cent by the end of this year. The stand-by loan, which will be disbursed under strict conditions in monthly tranches, will cover a third of this year's projected budget deficit.

Monthly inflation rates in Russia have been 17.8 per cent, 11 per cent and 8.9 per cent in the past three months.

Moscow faces test, Page 2

Retiring Daimler-Benz chairman Edzard Reuter ruled out an early return to profit levels of the past after the recent rise of the D-Mark Picture: AP

19,000 jobs to go as Daimler-Benz chief warns on costs rise

By Christopher Parkes in Stuttgart

The rise of the D-Mark and excessive pay increases will wipe out many of the benefits of German industry's recent restructuring efforts, according to Mr Edzard Reuter, retiring chairman of Daimler-Benz.

Announcing a further 19,000 job cuts by the end of next year, he warned yesterday that the effects of exchange rate turbulence and pay awards which added 10 per cent to unit labour costs could not be countered by increased efficiency alone.

"The unavoidable result will be the location of production plants abroad," he told a press conference.

Such strategies were already necessary for companies trying to gain access to growth markets in Asia and the Pacific zone.

Establishing production facilities was time-consuming and costly, and the earnings of German companies, including Daimler's, would show the strain.

Group earnings for the current year would improve further after 1994's post-recession recovary, but the "leap" in profits the board was still expecting as recently as three months ago would not now materialise.

Mr Reuter also ruled out an early return to profit levels of the past, such as 1991, when the group earned almost DM2bn ($1.4bn) on sales of DM95bn. Profits rose last year from DM615m to DM895m on sales up from DM98.5bn to DM104bn. By US accounting standards, adopted with Daimler's recent listing on the New York Stock Exchange, profits soared to DM1bn after a loss of DM1.84bn in 1993.

Meanwhile, the search for economies – in addition to cost savings of DM5bn achieved last year – would continue. Personnel expenses fell last year for the first time since the second world war, following a three-year job-cutting programme which reduced the global workforce by 70,000 to 330,500.

Managers at the group's Dasa aerospace subsidiary were currently talking with component suppliers on ways of alleviating the impact of operating from a D-Mark base in a market where aircraft prices were set in US dollars.

Paying parts makers in dollars was one possibility, Mr Reuter said. It was not reasonable for Dasa, which had already borne a

Continued on Page 16
Observer, Page 15

Brussels to probe aid for Crédit Lyonnais

By Emma Tucker in Brussels

The European Commission launched an inquiry yesterday into the rescue of Crédit Lyonnais, the state-owned French bank, which the Commission described as Europe's "biggest and most complicated state aid case ever".

The investigation follows concerns over whether the French government broke Commission regulations on state aid in assisting the bank with a capital injection of FFr4.9bn ($1bn) and a state guarantee against FFr135bn in assets to be removed from its balance sheet for eventual sale.

Over the next month, the French government must respond to to Commission queries about the bail-out,

Continued on Page 16

CONTENTS

News	**Features**	Crossword 25	Commodities 25	Money Markets 27
European News 2,3	Leader Page 15		FT Actuaries 32	Recent Issues 33
Asia-Pacific News 4	Letters 14	**Companies**	FT World Actuaries 36	Share Information 28,29
World Trade News 6	Management 12	Chrysler 18	Foreign Exchanges 27	Traditional Options 36
American News 7	Observer 15	UK 23,24	Gold Markets 25	London SE 32
UK News 8,9	Technology 10	Intl. Companies 19-22	Equity Options 33	Wall Street 33,36
Weather 18	Arts 13	Intl. Cap Mkts 25	Intl. Bond Service 25	Bourses 33,36
Lex 16	Arts Guide 13	**Markets**	Managed Funds 30,31	

 No 32,650 Week No 15 LONDON · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · TOKYO

NEWS: EUROPE

John Thornhill reports on the pressures building to ease the pain of reform

Russian government faces test of its economic resolve

Russian government officials may have been congratulating themselves yesterday on receiving the International Monetary Fund's approval for their "bold and ambitious" economic reform programme to be backed by $6.8bn of hard cash. But they had only to look out their office windows in Moscow's White House to see what little room they have for complacency. Like ghosts at the banquet, a gaggle of protesters yesterday picketed the building as part of a nationwide day of action called by the trade union movement.

"This year is the 50th anniversary of the defeat of fascism but now it impossible to live as a pensioner," said one angry protester. "This building is the symbol of the fascism in our country and the lack of respect for human rights," said another, pointing to the White House, formerly home to the Supreme Soviet which was shelled by President Boris Yeltsin in October 1993.

The mass protests are the most immediate sign that the steam is already building up in the political pressure cooker. Come the summer and the lobbying from agrarian and military industrial interests is likely to grow intense, as it has in the past two years. Then, the government's commitment to keeping the lid on the monetary pot will be severely tested. Come the winter, when the parliamentary elections take place, the pressure may well be all but irresistible.

Yet, so far this year, the economy appears to be stabilising reasonably well from last autumn's upheavals when the rouble crashed and inflation soared.

The government may have been window dressing the economy for the IMF's benefit, but economists say the meagre growth in money supply of just 3 per cent in the first quarter is an impressive achievement. That has helped lower the monthly inflation rate from almost 18 per cent in January to less than 9 per cent in March and it is likely to fall further, given the tight monetary grip.

But inflationary expectations remain high and will not have been helped by the currency slipping through the Rbs5,000 to the US dollar barrier yesterday. The rouble rate has a big impact on the population's psychology, even though the central bank is playing down the symbolism of the event.

Mr Jonathan Hoffman, international economist at CS First Boston in London, says: "At the moment the central bank seems to be very successfully operating an implicit, if not an explicit, policy of allowing the rouble to depreciate in line with inflation."

A number of more disturbing trends are developing elsewhere, however, particularly on the revenue front, where the government's income is falling well below budget. In the first quarter, budget revenues were R7,000bn ($1.4bn) short of the R32,700bn forecast but the gap is worse than it seems superficially when the effects of inflation are taken into account. "This is still a very low rate of compliance and it is worrying," said one western economist.

The critical test will perhaps come in the securities market where the government needs to raise R31,000bn to cover more than one third of the projected R72,000bn budget deficit. Yields on Treasury bills have been falling in recent weeks, lending some encouragement to the government but they will surely scurry up again if there are any signs of monetary policy being loosened.

"The government is also relying on $1bn of foreign financing but whether they will be able to do an external bond issue remains an open question at the moment," said one financial expert.

Russian business leaders canvassed by the Izvestia newspaper this week appeared to have little confidence in the prospects for economic stabilisation. The views of Mr Konstantin Borovoi, a prominent businessman and leader of the Economic Freedom party, were typical. "Financial stabilisation in the current situation is pure bluff. A 1 per cent inflation rate by the end of the year would mean the creation of real, not hidden, unemployment of 20m people. The country cannot bear such social tensions," he said.

A group of the 5,000 Russians who shouted slogans and flourished banners in a protest against government policies outside the Moscow White House yesterday *Reuter*

International operators get on line to Italy

The BT deal is only the latest in a string of telecom ventures, writes **Andrew Hill** in Milan

If the attractiveness of a telecommunications market can be judged by the number of suitors, then Italy currently seems to be the belle of the international telecoms ball.

In the past week three international joint ventures have been announced in Italy, including yesterday's deal between British Telecommunications and Banca Nazionale del Lavoro, one of Italy's biggest banks.

Last week, the Italian computer group Olivetti formed Infostrada, a joint venture with Bell Atlantic of the US, to sell business telecoms services. A day later Telecom Italia, the state-controlled domestic phone company, said it was joining with US computer giant IBM to market "mobile offices" in Italy, linking mobile phones and portable computers.

The target in all cases is the business sector, from the relatively specialised market for mobile offices at L10m ($5,880) apiece, to the overall market for such services which Olivetti and Bell Atlantic estimate at L30,000bn ($17.6bn) a year. In the longer term, however, all these companies have their sights set on liberalisation of the market – including ordinary phone calls – after 1998, when Europe's fourth largest market should be opened to full competition.

The obvious victims of this attention should be Telecom Italia and its parent company Stet, due for full privatisation later this year.

Yesterday's initiative by BT is not the first in Italy. BT and MCI, the US telecoms group, already have some 300 business customers in Italy for their Concert joint venture. Cable and Wireless of the UK recently won the contract to handle the telephone and fax communications of Eni, Italy's state-owned energy and chemicals group. Other foreign and domestic service providers are also jostling to take a share of the market.

Italy's former state monopolies are trying to give as good as they get. They point out that the biggest Italian companies – for example, the Benetton clothes group, the automotive Fiat company, and Pirelli which makes tyres and cables – have selected Telecom Italia to handle their telecoms services.

Telecom Italia was even chosen earlier this year to handle the telecommunications needs of Granada Computer Services International, a division of the quoted UK leisure and television group. It was the first such contract won by the Italian group outside Italy.

Stet, meanwhile, is pushing into international markets through shares in foreign groups, such as Telecom Argentina and Cuba's state-controlled telecoms operator, or the winning of new operating licences abroad, such as for digital mobile phones in Greece.

At home, however, the two state-controlled companies complain that they are hampered by a tariff structure which is still too rigid, the absence of a strong regulatory structure and public service obligations.

The combination could leave foreign companies free to pick off the corporate clients in the big cities, while the former monopolies are forced to supply phones to chatty grannies living in the Dolomite mountains.

Mr Patrick Earle, telecoms analysts at JP Morgan in London, says the recent spate of joint ventures should put pressure on prices and may accelerate rebalancing of tariffs at Telecom Italia to bring charges into line with costs.

"Telecom Italia has done a very large part of the rebalancing over the last three years, and is determined to complete that process before 1998 comes," he points out.

In the meantime, however, both Stet and Telecom Italia risk becoming the punchbag for some much larger international joint ventures. That is why both are searching for suitable global partners with which they can try to hit back at alliances like Concert. So far, however, while competitors seem content to court Italian clients, they have preferred to leave the telecoms operators themselves on the shelf.

Contact group mission rebuffed by Milosevic

By Laura Silber in Belgrade

The latest efforts of the so-called contact group of five western countries to broker a settlement in former Yugoslavia have foundered, diplomats said yesterday.

President Slobodan Milosevic of Serbia rebuffed the envoys' proposal to suspend sanctions against the former Yugoslavia in exchange for its recognition of Bosnia and Croatia.

"We did not expect any kind of breakthrough, but he was far more negative than we had anticipated," said a western diplomat commenting on Mr Milosevic's reaction to the contact group's initiative.

Mr Milosevic told the envoys from Britain, France, Germany, Russia and the US that he would not recognise Bosnia-Hercegovina until it was transformed into a union of Bosnian states.

In effect, the western mission had collapsed before it even got off the ground.

Mr Milosevic insisted, according to the diplomat, that the Serb-held region of Bosnia must be treated equally with that of the Moslem and Croat regions.

He has reacted coolly in the past to the contact group's proposal to lift sanctions in exchange for recognition of Bosnia and Croatia. Instead, he has demanded sanctions be lifted as a precondition of recognition.

"Don't expect them [the contact group] back in Belgrade any time soon; they were that disappointed," said one envoy.

The mission was dealt another blow when it was forced to cancel yesterday's trip to Sarajevo because Bosnian Serb commanders refused to guarantee the safety of their aircraft. Sarajevo airport has been closed since Saturday when Serb small arms fire hit a US aircraft.

The envoys had been scheduled to meet President Alija Izetbegovic of Bosnia to persuade him to renew a ceasefire, due to expire on May 1.

On Tuesday night Mr Izetbegovic, a Moslem, announced he would not extend the ceasefire unless Mr Milosevic recognised Bosnia or Bosnian Serb leaders endorsed a peace plan which calls on them to hand over a third of the territory they control. The Bosnia Serbs rejected the plan which would divide Bosnia roughly equally between them and the Moslem-Croat federation.

The envoys' failure with both Mr Izetbegovic and Mr Milosevic has prompted diplomats and UN officials to forecast an all-out war after the weather improves and the ceasefire expires.

The mostly Moslem Bosnian army launched an offensive last month seizing a strategic peak in central Bosnia but apparently suffered heavy losses after failing to secure control of a key communications relay in north-eastern Bosnia. Serb forces have begun shelling "UN safe areas". Nato jets buzzed Gorazde, a Moslem enclave in the east yesterday, after Serb forces fired more than 20 heavy artillery shells into the area.

West seeks pledge from Kiev to shut Chernobyl

By Matthew Kaminski in Kiev

An international delegation arrives today in Kiev to seek a commitment from Ukraine's President Leonid Kuchma to close the Chernobyl power plant, site of the world's worst nuclear accident in 1986.

Mr Hans van den Broek, the European Union's external affairs commissioner, and Mr Michel Barnier, the French environment minister who is representing the French presidency of the EU, will be joined by a Group of Seven representative from Canada.

If President Kuchma accedes to the delegation's demand to phase out Chernobyl, it would mean the loss of thousands of jobs at the plant and a 7 per cent cut in Ukraine's electricity generating capacity. Kiev is seeking financial support from western countries to help cover these costs.

With five plants and 14 reactors, with a total capacity of 12,800MW, Ukraine remains committed to nuclear energy, which accounts for 34 per cent of all electricity produced.

G7 countries last summer came up with a plan for the closure of Chernobyl which Ukraine has refused to accept. The G7 offered $200m in initial grants to cover its shutdown; EU states pledged Ecu400m ($536m) in loans and Ecu100m in grant aid. The World Bank and European Bank for Reconstruction and Development might get involved to bring total support to more than $1bn.

The EU also promised to help finish, and upgrade to western standards, nuclear reactors now under construction. The plan would also commit Ukraine to closing an operating reactor and to stop trying to restart a reactor damaged by fire in 1991.

Ukraine insists it needs at least another $3bn. Its most recent counter-proposal was for the west to provide $1.49bn to decommission Chernobyl; $2bn to finish work on two Soviet-era reactors elsewhere in the country; and $3bn to build two western-type units near the Chernobyl site.

Mr Mikhail Umanets, head of Ukraine's nuclear power authority, said the Chernobyl reactor could only be closed when a western-style plant was built. He often cites as an example the deal struck by the US with North Korea to build new plants.

But, as an EU official said last week, Mr Kuchma can veto the hawkish stance taken by energy officials. Anti-nuclear sentiment runs deep among Ukraine's 52m people, the main victims – along with Belarussians – of the 1986 tragedy.

Ukraine certainly needs $350m in bilateral balance of payments support from the EU, currently dependent on a Ukrainian commitment to phase out Chernobyl.

The EU official said: "We require a political commitment from the leadership to an agenda." The president himself last month called the Chernobyl decision "a political" one, which might be taken soon.

Greeks break with past over motorway

Road along an ancient Roman route will test new approach to infrastructure projects, say **Kerin Hope** and **Peter Marsh**

Plans by Greece to recreate the ancient Via Egnatia as a motorway linking the Adriatic with Istanbul will be the first test of the Socialist government's new approach to carrying out large infrastructure projects backed by the European Union.

Under pressure from the European Commission, the public works ministry has overhauled tendering procedures for Greek construction companies, agreed to appoint international project managers to supervise large projects, and established an independent agency to supervise construction of the Egnatia highway.

Greece is due to receive about Ecu8bn ($10.48bn) in European Union grants to modernise its outdated roads, railways and port facilities over the next five years, while the government is to provide Ecu4bn in matching funds.

Another Ecu5.6bn will be covered by the European Investment Bank and the private sector, which will finance some highway construction in return for operating toll concessions for up to 30 years.

However, disbursement of the EU funds, which was due to start last summer, was held up because of inefficient Greek tendering procedures which allowed road-building contracts to be split up and awarded to s large number of local construction companies, often at unrealistically low prices.

One Athens banker said: "Tendering was based on criteria dating from the 1960s. It was carried out on the basis of inadequate studies and companies were offering price discounts of up to 80 per cent in order to secure a contract. The result was frequent cost overruns and poor quality construction."

With new legislation in place and bidding under way to find an international project manager for the Egnatia highway, the Commission has given the go-ahead to release more than Ecu2bn of funding. This includes grants for construction of the 700km highway and for upgrading to motorway standard the 750km road from Patras in western Greece to Athens and Thessaloniki.

A Commission official said Greece had made good progress on meeting EU requirements on setting up new management structures for crucial parts of the modernisation programme, which was now moving "smoothly but slowly".

However, problems over raising private sector finance for the two highway projects appear likely to cause further delays because of uncertainties over the volume of traffic they would carry.

The Egnatia highway would link the north-western Greek port of Igoumenitsa with Thessaloniki and the Turkish border, following part of the route of the ancient Roman road across the Balkans. It is budgeted at Ecu2.8bn, of which Ecu1.5bn would be covered out of EU and government funds.

But the project carries a high financial risk, as much of the modern route would cross sparsely populated, mountainous areas with few prospects for increasing traffic through tourist development, leaving a toll operator dependent for income on international transit traffic.

The risk factor is less for the Patras to Thessaloniki road, used by most international trucks travelling through Greece and by more than 1m tourists yearly, who travel on ferries from Italy. Its upgrading would cost Ecu2.5bn, with Ecu1bn to be provided by the EU and the government.

A study carried out for the government by Barclays de Zoete Wedd, the UK investment bank, and Trademco, a Greek consultancy, proposes that, to ensure an adequate investment return, private road-builders should finance sections of motorway near large cities – where there is heavy local traffic – while the public sector takes responsibility for sections in remote areas.

One possibility being considered by the Commission is for EU cash already earmarked for busier sections of the Athens-Thessaloniki motorway to be withdrawn and replaced by private funding. The extra money would be transferred to the Egnatia project to build sections through the remote Pindos mountains.

A senior Greek official said: "It's a matter of careful restructuring of the project, to get the right allocation of public sector and EU funds. As well as some delay, we may have to accept scaling down part of the Egnatia road to just two lanes", leaving room for expansion in the next century.

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EUROPEAN NEWS DIGEST

MPs in stand over Chechnya

The lower house of Russia's parliament yesterday approved a law instructing the government to open immediate peace talks in Chechnya and banning the use of armed force within the federation. The bill, adopted by 286 votes to one, will now proceed to the upper house of parliament. The liberal and communist factions in the parliament have been fiercely critical of the Chechen campaign and even ultra-nationalist deputies have condemned its inefficiency.

The parliamentary move, however, is unlikely to have much impact on events in Chechnya. President Boris Yeltsin can veto the bill even if it is approved by the upper house. The government has also stressed that Chechnya is now the responsibility of interior ministry troops, not the army.

■ The International Committee of the Red Cross yesterday claimed that Russian troops had killed at least 250 people, mostly civilians, while taking the Chechen town of Samashki at the weekend. Mr Jean-Marc Bornet, head of ICRC operations in Europe, said: "It was an indiscriminate attack against civilians and a flagrant violation of humanitarian law." *John Thornhill, Moscow*

Polish tie with EU 'irresistible'

Poland's march to membership of the EU and Nato was an "irresistible" process, Mr Douglas Hurd, British foreign secretary, said yesterday in Warsaw. "We in the UK are convinced that Poland will join Nato and the EU as a full member", he said, brushing aside Russian objections to any eastward extension of the defence alliance.

However, Mr Hurd added: "There will have to be changes in Poland as well as in the EU's agricultural policies before the time comes to discuss dates." Poland's large and fragmented farming sector constitutes a key obstacle to EU membership. Few believe the EU could afford to extend the current Common Agricultural Policy to new member states. *Christopher Bobinski, Warsaw*

Kurd exiles set up parliament

Kurdish exiles yesterday established a parliament in exile in The Hague, defying Turkey's protests that the meeting was illegal and an infringement of national sovereignty. The 65 delegates, drawn from Turkish, Iranian and Iraqi Kurds as well as the diaspora, declared their intention to build an independent state of Kurdistan. They include eight Turkish Kurd MPs who fled the country last year after their Democracy party was outlawed.

The assembly condemned Turkey's recent incursion into Kurdish northern Iraq in search of guerrillas from the Kurdish Workers' party, the PKK. However, the representatives promised to promote a peaceful democratic solution to the Kurdish problem. Mr Ismet Vanly, acting chairman, said: "Kurds are entitled like other people to decide on their future and their right to self-determination. The [existing] frontiers are not international but inter-Kurdish and inter-state. They will disappear, but we are not in a hurry, we cannot force the course of history." *Chris Hadley, The Hague*

Swedish lending rate rises

Sweden's central bank yesterday raised its lending and deposit rates in a further signal of tighter monetary policy to counter inflationary pressures. The move follows a series of increases in the bank's key repo, or repurchase rate, which has risen to 8.34 per cent from 7.60 per cent since February.

The bank said Sweden's high capacity utilisation and strong growth in producer prices threatened to stoke annual inflation, now running at 2.9 per cent. The krona has also weakened as Sweden grapples with a crisis of confidence over its efforts to curb a large budget deficit and rising state debt. *Christopher Brown-Humes, Stockholm*

■ Belgium's central bank yesterday cut its key interest rate by 0.25 percentage point to 4.75 per cent. The reduction, which reflects the strength of the Belgian franc, is the third in two weeks. The discount rate remained unchanged at 4 per cent. *Reuter, Brussels*

Estonia appoints government

Estonian President Lennart Meri confirmed yesterday the appointment of a new government for the Baltic state, led by Mr Tiit Vaehi, the centrist prime minister. Mr Vaehi's alliance, comprising the Coalition and Rural Peoples' parties (KMU), emerged as the largest single group after general elections five weeks ago. But it had to seek a coalition to get a majority of parliament's 101 seats.

The apportioning of cabinet jobs reflected a coalition agreement struck with the centre-left Centrist party (CP). Ten will come from the KMU, five from the CP. Mr Edgar Savisaar, Centrist leader and a forceful ex-premier, will become interior minister and deputy prime minister. Estonia's ambassador to Britain, Mr Riivo Sinijaerv, will be foreign minister. *Reuter, Tallinn*

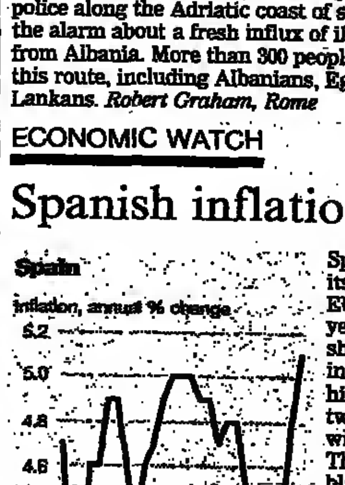
Illegal immigration crackdown

Italian police yesterday arrested members of illegal Chinese and Bosnian immigration rings, part of a crackdown on foreign gangs smuggling immigrants with the aid of the local mafia. The operations reflect Italy's desire to demonstrate its border control credentials as a prelude to joining the Schengen accord, under which certain EU countries operate common immigration policies. Italy was unable to implement the agreement, as scheduled, last month because parliament had failed to pass the necessary data protection legislation and because the ministry of interior's computer infrastructure was not fully in place.

The Bosnian network was broken up near Udine in the Veneto. The gang reportedly smuggled in Bosnian migrants and arms, which were sold to local mafia. The Chinese ring, based round the Puglian city of Lecce, also combined illegal immigration with arms trafficking. During the past week police along the Adriatic coast of southern Italy have raised the alarm about a fresh influx of illegal immigrants crossing from Albania. More than 300 people have been arrested using this route, including Albanians, Egyptians, Kurds and Sri Lankans. *Robert Graham, Rome*

ECONOMIC WATCH

Spanish inflation hopes hit



Spain's hopes of narrowing its inflation gap with its main EU partners were hit yesterday with figures showing March year-on-year inflation of 5.1 per cent, the highest figure for more than two years. The rate compared with 4.8 per cent in February. The economy ministry, blaming price rises for fresh food products, said it was confident inflation would now start to ease, although it raised its forecast for 1995 to 4 per cent from 3.5 per cent. Analysts said this was optimistic. They voiced concern about the impact of last month's peseta devaluation and the drought, which has driven up food prices. Inflation in the first quarter of the year was already 2.1 per cent. Underlying inflation, excluding volatile fresh food and energy prices, was 0.5 per cent up over the previous month. *David White, Madrid*

■ Spain's February trade deficit rose on a customs cleared basis to Pta178.2bn ($1.42bn) from Pta154.4bn in January. Imports rose to Pta1,114.2bn from Pta997.2bn, while exports were up to Pta936bn from Pta842.8bn.

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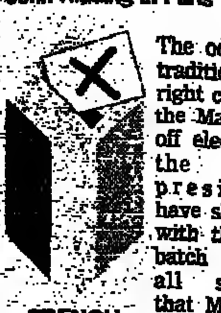
Polls show Jospin in second place

By David Buchan and John Ridding in Paris



FRENCH ELECTIONS
April 23/May 7

The odds on a traditional left-right contest in the May 7 run-off election for the French presidency have shortened with the latest batch of polls, all showing that Mr Lionel Jospin, Socialist candidate, has edged Prime Minister Edouard Balladur out of second place behind Mr Jacques Chirac, mayor of Paris.

Only the two leaders in the first round of voting on April 23 go on to the run-off. Barring a massive error by the pollsters, one of the finalists seems bound to be Mr Chirac. Indeed, the most recent survey, conducted by Publimétrie by telephone on Monday and Tuesday this week, gives the mayor an increased lead of 30 per cent, compared with 22 per cent for Mr Jospin and 20 per cent for Mr Balladur. Three other polls, by Louis Harris, BVA and Ifop, gave Mr Chirac lower scores, but always ahead of Mr Jospin and Mr Balladur, in that order.

Defying the bad news, the Balladur campaign announced it would start publishing today a daily broadsheet that would count down the 24 days remaining to the May 7 run-off. Mr Nicolas Sarkozy, the Balladur campaign spokesman, said if his candidate failed to make it through the first round the broadsheet would stop. But he was convinced the French people wanted a Chirac-Balladur contest in the second round, and not another "left-right debate".

However, Mr Jospin, campaigning yesterday in Toulouse with Mr Jacqnes Delors, the ex-European Commission president, seems now to be pulling in some of the large number of people who had declared themselves undecided.

Publication of opinion polls is forbidden in the week preceding both the first and second rounds of voting, and therefore the polls to be published at the end of this week will have an important psychological effect on the outcome on April 23.

A further bout of labour disputes is set to keep wages and employment at the forefront of the campaign. Workers on the RATP Paris metro and rail network are due to bold another one-day strike today, while unions at the main banks have also called for a stoppage.

In the private sector, workers yesterday protested against job cuts at Elf-Aquitaine, the oil group, and in favour of pay rises at Michelin, the tyre maker. Neither suffered serious disruption, however.

The action bas been encouraged by the presidential campaign, as several candidates bave supported pay increases as a means to buttress consumption and to allow employees to share in economic recovery. Mr Jospin and Mr Chirac bave both backed pay rises, although Mr Balladur has been more cautious.

Trade unions, emboldened by the spate of strikes and the commeots, said they would seek to extend the protests. "There will be no calming down after the election," said Mr Louis Viannet, general-secretary of the Confédération Générale du Travail, the communist-led union.

Society's concerns mirrored by minority candidates

Lesser players cannot be dismissed, writes Andrew Jack

Ms Arlette Laguiller, a militant Trotskyite, represents more than the Workers' Struggle party in France's presidential race. She also highlights the challenges for, and the importance of, minority candidates in the campaign for the Elysée Palace.

By last week's deadline, tough eligibility requirements had whittled down the number of officially recognised candidates to nine, whose campaigning efforts have now began in earnest on television, hillboards and in rallies around the country.

Yet the tough rules did nothing to hold hack Ms Laguiller, whose programme includes calls for the redistribution of wealth, a general increase in salaries and an end to the "law of profits" which drives corporate executives to lay off staff.

One of her secrets lies in the traditional ability of the hard-left to mobilise and organise its supporters, as well as her own extensive experience in running – unsuccessfully – in the last three presidential campaigns.

However, her support – running at about 5 per cent in some polls – also reflects the way in which minority candidates in the election have mirrored a number of tha most important issues of concern in France, and which have now become centrepieces in the race.

For Ms Laguiller, as well as Mr Robert Hue, the Communist party candidate currently polling 9 per cent of support, these issues are widespread worry about unemployment and social division.

Neither candidate can be dismissed. Their endorsements will prove influential among left-leaning voters in the second round of voting on May 7, just as the endorsements of Mr Philippe de Villiers and Mr Jean-Marie Le Pen will be for supporters of the political right.

For Ms Dominique Voynet, the only one of the three serious green candidates to make it through to the official race, employment is also important, reflected by her call for a 35-hour working week, alongside environmental reforms such as a renewed emphasis on public transport.

The most surprising entrant among the nine official candidates was Mr Jacques Cheminade. A man whose name had hardly been mentioned until last week, he calls himself head of New Solidarity, a party created after his European Workers' party went bankrupt.

He calls for the overturn of the current "cancer" of the financial system, and a new Marshall plan for eastern Europe and the third world, based on large infrastructure projects. He also praises Colbert, Louis XIV's beavily interventionist minister, and Jean Jaurès, an historic hero of the left.

The French press has been rather more interested in his background. He is associated with Mr Lyndon LaRouche, the conspiracy theorist who regularly runs for US president. He has also been convicted of theft from an elderly women suffering from Alzheimer's disease: a judgment currently on appeal, but with no decision expected before May 9, two days after the second round of voting.

Another 50 candidates were unable to meet tbe official aligibility requirements by last week's deadline – 500 signatures from elected officials in at least 30 of France's 101 départements or overseas territories, with no more than 10 from any one area.

Soma struggled until the last minute to gather signatures. Most notable was Mr Antoine Waechter, who founded his own ecological movement after he lost his role in 1993 as head of the Green party to Ms Voynet.

Others such as Mr Jean-François Hory, leader of the Radical party whose members include Mr Bernard Tapie, and Mr Jack Lang, the former socialist minister of culture, withdrew earlier in the race, either reacting to their low standing in the polls or – more charitably – trying to avoid splits in support for their political allies.

What they all had in common was to seek publicity for their cause. As Mr Max Simeoni, a Corsican nationalist fighting for regional autonomy against the "technostructure" of Paris, put it: "I wanted to raise the issue. It would have been rather embarrassing if I had become president."

Laguiller: opposes 'law of profits'

Voynet: emphasises public transport

MEPs fret over likely single currency delay

By Lionel Barber in Brussels

Members of the European parliament yesterday voiced concern that likely delays in introducing a single European currency could trigger a loss of public support.

The warnings came during a hearing of tbe parliament's monetary affairs sub-committee, attended by Mr Alexandre Lamfalussy, president of the European Monetary Institute.

Mr Lamfalussy, the central banker charged with supervising the technical preparation for economic and monetary union, defused most of the criticism in a softly spoken exposition of the path to Emu.

He began with a prediction that a "Big Bang" switch to a single currency – with Emu banknotes and coins immediately replacing national currencies – was "simply out of the question".

A delay of up to three years was needed for minting and printing. But he did not rule out limited usage in the interim. He also left open the possibility of an earlier switch if somebody took on the financial burden of pre-minting.

Mr Lamfalussy also confirmed that a delay of about 12 months was likely between the political decision on which member states qualified for Emu membership, and the economic decision on the irrevocable locking of participating currencies. This could raise the risk of market speculation.

The EMI will unveil plans to defend the Emu currencies, although Mr Lamfalussy declined to discuss new intervention obligations and ruled out a punitive tax on speculation. The best protection was that only those currencies "fit and proper" should enter Emu. He stressed the need for strict interpretation of the Maastricht treaty's criteria on inflation, budget deficits, and accumulated debt.

"If we have the slightest doubt, we should err on the side of strictness."

The EMI and the European Commission will offer recommendations to beads of government of the 15 member states on which countries meet the so-called convergence criteria in 1996.

Mr Lamfalussy said be thought that 1997, the first possible date for Emu under Maastricbt, was "improbahle" because of the need to curh budget deficits. But be underlined that "quite a number of member states" might qualify in 1998 for entry into Emu by January 1 1999.

Lastly, he said the EMI was exploring how to arrange the relationship between currencies participating in Emu and those outside, notably bow to avoid importing currency instability into the "bard core".

One idea was to create an arrangement similar to the European exchange rate mechanism of fixed but adjustable exchange rates. The implication is that, even if the UK exercised its opt-out on Emu in 1999, it might still be required to rejoin the ERM, which it abandoned during the sterling crisis in September 1992.

EU's social programme given mixed reception

By Lionel Barber and Robert Taylor

The European Commission's social programme for the next three years, unveiled yesterday, was cautiously welcomed by employers and criticised by the trade unions.

Mr Padraig Flynn, EU social affairs commissioner, defended his plans – which seek to consolidate existing legislation and call for less regulation – as a halance between economic realism and maintaining minimum social standards. But he conceded they tilted towards employer demands to make competitiveness and job creation the main priority.

"There is not a buge demand for a new caucus of law in this area," he said.

The social action plan contains 22 new proposals, only five of which will need legally enforceable directives. Some 25 other proposals covering issues such as parental leave, part-time work and several health and safety directives are heing carried over from the previous Commission under Mr Jacques Delors.

The European Trade Union Confederation said it would seek support to toughen up the programme.

But Mr Michael Portillo, UK employment secretary, said there were "welcome signs" the Commission accepted that job creation must be at the top of the agenda. But he added there were "still too many signs" of the "old way of thinking based on regulation and restriction".

Mr Flynn's programme, which faces a hruising debate in the European parliament in May, found a more favourahle response with employers. "We give it a cautious welcome", said Mr Nils Trampe, social affairs director at Unice, the employers' federation. "Its focus on competitiveness and growth is right."

However, he added that employers were "worried" over proposed talks about worker consultation at national level, sick pay, and individual dismissals that might lead to eventual legislation.

Mr Howard Davies, director-general of the Confederation of British Industry, said the programme was a "curate's egg – good in parts". He said it indicated "a welcome shift in attitude and understanding" but he was concerned that studies of individual dismissals and consultation of workers in national undertakings did "not sit easily with the need to contain social costs and promote flexibility and subsidiarity".

SA government reinstates Mrs Mandela

By Roger Matthews in Johannesburg

Mrs Winnie Mandela was yesterday reinstated as a deputy minister by an embarrassed South African government, although it is expected that President Nelson Mandela, ber estranged busband, will dismiss her again within a few days.

Mr Thabo Mbeki, the deputy president, said in a statement issued on behalf of President Mandela, who is touring the Gulf, that the decision to reinstate Mrs Mandela was taken "to spare the government and the nation the uncertainties which might follow protracted litigation of this issue".

Lawyers for Mrs Mandela began legal proceedings in the Pretoria supreme court on Tuesday seeking her reinstatement as deputy minister of arts, culture and science.

They argued that her dismissal on March 27 infringed her constitutional rights and that President Mandela had not followed correct legal procedures.

Mr Mandela's statement accepted that the dismissal had been "technically and procedurally invalid" and said that Mrs Mandela's position would be considered afresh when the president returned to South Africa.

This is the second time in a month that Mrs Mandela has successfully used the courts to protect her against what she claims are politically motivated attacks. Last month a supreme court judge ruled there was no justification for a high-profile police raid on her Soweto home, and ordered all seized documents to be returned.

Mrs Mandela, who claims considerabla grassroots support, has repeatedly criticised the government of national unity, claiming that it did more to placate the white minority than improve the living conditions of the deprived black majority.

Those claims contributed to Mr Mandela's decision to sack her, but it quickly became clear yesterday that the president's legal advisers would have problems mounting an effective defence against Mrs Mandela's law suit.

Mrs Mandela argued that under the interim constitution she had the right to know the reasons for her dismissal and a full explanation, something which President Mandela has refused. The government statement yesterday also acknowledged that Mr Mandela had not fulfilled the obligation to consult the party leaders in the coalition before sacking Mrs Mandela.

Second group seeks £1bn telecoms contract

By Mark Suzman in Johannesburg

The pressure on the South African government to clarify its plans for the privatisation of state-owned telephone utility Telkom intensified yesterday with the announcement that a second big international consortium would submit a bid for the company's R6bn (£1.04bn) tender to lay 1m new phone lines over the next four years.

The New Africa Communications consortium comprises Southwestern Bell of the US, Cable and Wireless from the UK and Corporate Africa, one of South Africa's largest black-controlled businesses. It said the bid is aimed at forging closer co-operation with Telkom in the future, inclnding possible equity involvement in the company. "Telkom's tender is an obvious immediate opportunity," said Dr Nthato Motlana, New Africa chairman. "[It] fits into our vision of partnering Telkom in developing this important strategic industry for the benefit of all South Africans." New Africa's bid follows the announcement last month by African Global, a group formed by Bell Atlantic, Alcatel CIT, Philips, Matra Marconi Spaee and Teleglobe International Montreal, that it would also seek to help develop local telecommunications ahead of Telkom's possible privatisation. Other major international telecommunication companies are known to have had discussions with the government aboot purchasing a stake in Telkom. They include AT&T and Japan's Nippon Telephone and Telegraph.

The unusual international interest in the bid was sparked by the South African government's declaration in February that it had decided in principle to sell off at least part of Telkom to help expand and modernise the country's telecommunications network.

Mauritians agonise over tourism expansion

Fiercely protective of its exclusive image, a dilemma faces the Indian Ocean island. **Bronwen Maddox** reports

"We don't want to be a nation of bartenders and waiters," says Mr Xavier Luc Duval, tbe Mauritian minister of tourism and Industry.

Famous for its white beaches and turquoise lagoons, the Indian Ocean island has always been fiercely protective of its exclusive image, which lures honeymoon couples and upmarket tourists from around the world.

But to maintain the rate of ecooomic growth the island has become accustomed to, Mauritius is now faced with the dilemma of whether to allow tourism, the third biggest earner of foreign exchange, to continue to grow fast. Though this would be the easiest route to stimulate growth, Mauritian ministers are fearful that the result will be social tension and destruction of tbe island's environment.

After three decades of astounding success, the Mauritian economy is at a turning point. Since tbe mid-1980s, sugar and textiles, the two largest industries, have pushed gross domestic product ahead by more than 6 per cent virtually every year. Bnt rising wages, and the impact of the Uruguay Round of the General Agreement on Tariffs and Trade, which came into force in January, are curhing the potential of these sectors.

The record of recent years, remarkable by most standards but particularly hy those of the African mainland, owes much to the Lomé Convention, which gives preferential access to European Union markets. It allowed Mauritius to diversify from a sugar monoculture and to build a thriving textiles sector.

However, Gatt will erode the value of the Lomé agreements. It will also undermine sugar prices, says Mr Ramakrishna Sithanen, finance minister, and competition is tough in textiles, with or without Gatt.

Steady wage rises also threaten competitiveness, particularly with the textiles sector of neighbouring Madagascar. One of the government's proudest hoasts is that the country of 1.1m peopla has virtually full employment but the consequent labour shortages in some businesses have pushed average wages up hy about 10 per cent annually in the past few years.

The government is not blind to these threats. It is encouraging the mechanisation of textiles and sugar production to improve competitiveness. But that, Mr Sithanen acknowledges, suggests that "there will probably not be full employment in Mauritius in 10 years' time", a politically sensitive point.

To provide new sources of revenue and employment, the government is looking to enter world markets for fruit, flowers and vegetables. It has also made much of its desira to encourage the development of financial services and offshore companies.

The first steps are encouraging. The Mauritius Stock Exchange, which began in 1989, trades from one 30-foot room, with prices marked up by hand on a board on the wall. But already it has a market capitalisation of about MRs30bn (£1.09bn).

Rafts of concessionary tax arrangements with other countries are spurring the growth of offshore banking, encouraging trading revenues or investment funds destined for Asia and Africa to pass through Mauritius.

But the financial sector does not promise to provide many jobs, particularly not ones which can be filled by laid-off sugar and textila workers.

One option would be to let tourism off the leash, and allow tourist numbers to rise fast from the present 400,000, by granting permission for more developments and permitting more flights.

Sir Harry Tirvengadum, chairman of Air Mauritius, the national airline, says that a government-industry working group has estimated that if present rates of growth are extrapolated, the number of tourists would reach between 1.2m to 1.7m in 2020.

Bnt ministers and tourism industry executives say that such growth would be publicly unacceptable, and counterproductive. The encroachment of hotels on to beaches which were formerly public is already "a sore point", ministers say.

Moreover, such an expansion could be counterproductive. "We cannot survive if we lose our exclusive image, because no one will come on a 12-hour flight when they can get much cheaper holidays closer to bome", says Mr Sohun Ghoorah, manager of the government tourist office.

Opinions are divided on the degree of expansion which should be allowed.

According to Mr Duval, the government's view is that "in the next five years numbers could go to 600,000, but we have no plans to increase them beyond that".

He adds that lifting the ban on direct charter flights "is politically out of the question". However, some hoteliers argue that this will be insufficient for the industry's needs, given the overcapacity which already exists.

Mauritius: an economy in transition

	GDP per head ($ at constant 1987 prices)	Number of tourists	Gross receipts from tourism (MRs m)
1984	1,900	139,670	632.9
1985	2,000	148,860	844.5
1986	2,170	165,310	1,190.1
1987	2,350	207,570	1,786.0
1988	2,475	239,300	2,381.0
1989	2,560	262,790	2,795.7
1990	2,710	291,550	3,630.0
1991	2,800	300,670	3,940.0
1992	2,975	335,400	4,655.0
1993	3,100	374,630	5,362.0
1994	n/a	400,526	*6,052.0

*Provisional. Source: Central Statistical Office, Ministry of Tourism, Bank of Mauritius

INTERNATIONAL NEWS DIGEST

Nuclear treaty raises concerns

Senior officials of non-aligned states met yesterday at the United Nations to try to co-ordinate policy for a critical conference opening next Monday on the future of the nuclear non-proliferation treaty (NPT). A number of third world nations are expected to oppose the indefinite extension of the pact sought by the US, Britain, France and Russia with probable acquiescence of China. The five permanent members of the Security Council, all nuclear powers, sponsored a resolution that was unanimously approved late on Tuesday pledging help for any NPT signatory state threatened by nuclear attack.

However, the resolution fell short of what many in the non-aligned movement had hoped for, including India, whose delegate called it discriminatory and "riddled with ifs and buts". The Campaign for the Non-proliferation Treaty, a group of independent disarmament organisations, estimates that 79 of the 174 signatories of the treaty would vote for an indefinite extension, with 26 others leaning in that direction and more than 30 still undecided. *Michael Littlejohns, New York*

Border ban on Palestinians

Israel announced yesterday that it will bar all West Bank and Gaza Palestinians from entering Israel over this weekend's Passover holiday. Mr Moshe Shahal, the police minister, would like to extend the closure for the whole of the week-long Jewish festival, but has failed to win over the prime minister, Mr Yitzhak Rabin. About 25,000 Palestinian labourers cross daily to jobs on Israeli farms and building sites. The ban comes five days after two Islamic suicide bombers killed seven Israeli soldiers and an American student on their way to Jawish settlements in the Gaza Strip. Their attacks provoked a confrontation between Mr Yassir Arafat's Palestinian police and the Hamas and Islamic Jihad opponents of his peace agreement with Israel. *Eric Silver, Jerusalem*

Kenya acts on gold row

Kenya's government has moved to defuse a furore over the treatment of a businessman accused of defrauding the government through a fictitious gold and diamond export operation. Public anger has simmered since a parliamentary committee last month cleared billionaire Kamlesh Pattni, owner of Goldenberg International, and found he was owed 2.1bn shillings (£31.4m) by the government in outstanding export compensation. The committee's findings came as a shock, as Pattni is being pursued by the Central Bank of Kenya for more than 11bn shillings he owes both the bank and Treasury. But Mr Musalia Mudavadi, finance minister, intervened late on Tuesday, telling parliament the government rejected the committee's recommendations. *Michela Wrong, Nairobi*

Rwandan refugees killed

Gunmen slaughtered 31 Rwandan refugees near Rwanda's eastern border in the first such attack on a camp in Zaire since the exodus a year ago, UN officials said yesterday. Mr Chris Bowers, spokesman for the UN High Commissioner for Refugees (UNHCR), said the gunmen landed by boats at Birava camp on the edge of Lake Kivu. The dead included women and children. Mr Bowers quoted survivors as saying the attackers were wearing uniforms and came from the direction of Rwanda. Rwandan government officials in Kigali said the Rwanda Patriotic Army was not responsible. The refugees in Zaire are all from Rwanda's Hutu majority. *Reuter, Kigali*

China pressure on HK civil service grows

Simon Holberton on colony's unease at top resignations

The third resignation in as many weeks of a senior Hong Kong civil servant bas underlined the unease with which Hong Kong approaches its reunion with China in 1997.

Mr Michael Leung, secretary of education and manpower, said on Tuesday he was retiring for personal reasons which had nothing to do with the forthcoming change in sovereignty.

But bis chief, Mrs Anson Chan, chief secretary, took a sligbtly different line. She called on China to reassure the senior civil service about its future under Chinese rule.

Mr Leung's resignation follows on the beels of another dismal round of Sino-British talks on Hong Kong's future. The agenda for the 32nd meeting of tha Joint Liaison Group (JLG) was dominated hy items concerning the future of the colony's legal system and the rights of its citizens to travel abroad, but just one agreement was made: an investment protection pact between Hong Kong and New Zealand, the colony's 36th most important trading partner.

To Britain's growing concern, Beijing stepped up pressure on the Hong Kong civil service at last week's meeting. Mainland officials renewed their demand for the personnel files of the senior civil service, a demand which was refused.

Outside the formal meetings of the JLG, mainland officials have also increased pressure directly on Hong Kong Chinese civil servants. They take every opportunity to remind senior Hong Kong Chinese officials of their ethnicity and call on them to be loyal to China.

The visit next month of China's top official on Hong Kong affairs is unlikely to make things any better. On his week-long stay in the colony, Mr Lu Ping is expected to snub Governor Chris Patten as he did on a similar visit last year.

British officials make no efforts to disguise their frustration and concern about the lack of progress on what London regards as the vital aspects of Hong Kong's handover. "We are essentially in a 'no co-operation' mode," noted one senior Hong Kong government official. "The sovereignty card is being played on everything."

Where China sees an advantage, agreements have been forthcoming. Two examples of this were last summer's defence lands deal, and the deal on co-ordinating cross-border infrastructure development. The former committed the Hong Kong government to huilding the Chinese navy a new base; the latter bas enabled Beijing to keep a watchful eye on the activities of Shenzhen and Zhuhai, the two thrusting economic zones near Hong Kong.

But on just about every issue of importance to tha British and Hong Kong governments, Beijing has dug in its heels. It has refused to give its assent to the creation of a court of final appeal in Hong Kong, successor to Britain's Privy Council, despite a 1991 agreement struck with London on the issue. Beijing's spokesmen in the colony mutter vaguely that the draft legislation which Beijing has had for nearly a year is "incompatible" with China's laws for Hong Kong, but decline to specify where or how.

China's reluctance to make a deal seems to reflect two things: its desire to select the court's judges without British participation, and its determination to deny Mr Patten the means of claiming his tough stand on Hong Kong's political development has paid off. "They see no need to give any face to Patten," observed a former Beijing official living in Hong Kong.

To most ohservers, such a situation is a recipe for uncertainty of a potentially destabilising sort. Yet among certain segments of the colony's business élite, this gives rise to only muted concern. For these optimists, the stony face of the Chinese state will relax once the British have left the stage. Everything will be sorted out Chinese-to-Chinese after 1997, they believe.

They point to the soundings that Communist party officials have been taking about the suitability of Mrs Chan to be Hong Kong's first "chief executive", as the post-colonial governor will be known.

Mrs Chan is a widely respected official whose appointment would reassure the broad mass of people in Hong Kong; she is a woman who knows the Hong Kong-British civil service system intimately, in addition to being well-connected in China.

In a similar vein, others point to the contacts some liberal lawyers have made with judicial authorities in Beijing concerning the court of final appeal – the issue at the top of Mr Patten's agenda and the one most likely to spark another full-scale Sino-British row in the coming months.

These lawyers are opposed to the 1991 Sino-British deal which, if made into law, would restrict the number of foreign judges who can sit on the five-judge court to just one.

Some liberal lawyers believe they can negotiate a bettar, more flexible deal after 1997, so that in soma cases more than one foreign judge could hear a case.

Whether this is a case of "lambs to the slaughter", as some British officials claim, will only be known after the event. But what it assuredly does not do is make Mr Patten's decision to proceed or defer legislation for the court any easier.

Chinese soldiers marching to sentry duty in Tiananmen square yesterday pass a clock showing the remaining days (811) and seconds until the colony is handed back in June 1997 Reuter

US store owner cites infrastructure deficiencies as serious impediments

Macy's to halt output in Burma

By Ted Bardacke in Bangkok

Federated Department Stores, owner of the US retailer Macy's, will halt clothing production in Burma within the next three months, citing infrastructure deficiencies as serious impediments to efficient and profitable output.

Macy's is the third US clothes producer to halt operations in Burma in the past six months, after similar moves by Eddie Bauer in February and Liz Claiborne late last year. A fourth company, Levi Strauss, ended clothes output in Burma in 1992.

While the other companies cited a lack of political freedoms and human rights problems as their chief reasons for pulling out, Macy's said its reason was economic. "It's not economically feasible. The factories couldn't meet their quotas," a company official said. Macy's private label sourcing arm made about $2m (£1.25m) worth of goods in Burma.

Despite reforms that have encouraged investment and stimulated growth, the Burmese government has been criticised over its human rights record and refusing to honour election results that were to have swept the military junta from power.

● Companies from 18 countries have invested a total of $2.59bn (£1.6bn) in Burma as of the end of March, according to Brigadier-General Win Tin, finance minister, Renter reports from Rangoon.

At the opening of a foreign bank representative office, he said authorities had given permission for 130 ventures involving foreign investment since reforms in 1988.

Gen Win Tin said foreign investment, from Asian neighbours in particular, was increasing. "Foreign investors from Singapore, Thailand, Malaysia, Hong Kong and Korea have deepened their links with our country," said the general, whose speech was published in Rangoon newspapers yesterday. Some diplomats say foreigners are still wary of large investments because of infrastructure problems and political uncertainty.

Yen surge 'could hit Thailand, Indonesia'

Indonesia and Thailand are expected to be worst hit by the steep appreciation of the yen against the dollar, a study of nine Asian economies released by the US investment house Salomon Brothers said yesterday, AFP reports from Singapore.

A further deterioration of trade or current account balances of the two countries caused by the rise of the yen "could have wider implications in terms of the potential knock-on effects on short-term capital flows and interest rates". The yen appreciated 14.5 per cent against the Indonesian rupiah and 12 per cent against the Thai baht between January and March; the period covered by the study.

The yen has moved fairly uniformly against currencies closely linked to the US dollar, such as the Thai and Indonesian currencies, and the Hong Kong dollar. The yen's movement against the Malaysian ringgit was also seen in a range similar to the linked currencies. "The appreciation of the yen could lead to some deterioration of trade balances in the countries surveyed."

ASIA-PACIFIC NEWS DIGEST

Japanese seize top Aum aide

Japanese police hailed as a breakthrough yesterday the arrest of a senior member of the Aum Shinri Kyo religious cult implicated in last month's gas attack on the Tokyo subway. Mr Tomomitsu Nimii, a personal adviser and bodyguard of the sect's leader, Mr Shoko Asahara, was detained on suspicion of kidnapping a nurse who had tried to leave the cult. Mr Nimii, home affairs "minister" in Aum's private government, is the most senior follower to be arrested.

He is suspected of organising several other kidnappings of members who tried to leave the secretive group. The police investigation, which was initially criticised for its apparent slowness, appears to be gathering pace. Three leading followers were arrested last week, responsible for defence, finance, and the "ministry of treatment", believed to have drugged dissenters into submission. Police have arrest warrants for fiva more suspected kidnappers. *William Dawkins, Tokyo*

Murdoch affiliate in TV row

India's largest owner of Hindi film rights says he plans to take legal action in India and Hong Kong against a Rupert Murdoch TV affiliate over cable distribution rights in South Asia's fledgling pay-TV market. Mr Dhirubhai Shah and satellite network Asia Television Network (ATN) said they intended to sue Zee Cinema for alleged violation of copyright concerning 1,000 Hindi films.

India has the world's biggest film industry and the tussle between big entertainment channels for a foothold in the market is gathering pace. Zee Cinema, a Hindi pay-movie channel launched last Sunday, is a joint venture between Pan-Asian broadcaster Star Television and Zee Television, in which Mr Murdoch's News Corporation has a 49 per cent stake through one of its Hong Kong affiliates.

According to Mr Shah and ATN chief Siddhartha Srivastava, Zee Cinema "will be encroaching on their cable TV rights" of more than 1,000 popular films which it plans to beam on its pay-TV channel. "We have taken necessary legal advice and we will be suing Zee in Hong Kong courts in the next few days," Mr Shah said. *Reuter, Bombay*

China to step up N-programme

China plans to use plutonium for civilian purposes and develop fast-breeder reactors, the country's National Nuclear Development Corporation said in Tokyo yesterday. Zhang Huazhu, corporation vice-president, told a nuclear industry conference China was building a pilot recycling plant for extracting plutonium from spent nuclear fuel.

China wanted to operate a facility capable of treating 400-800 tons of spent fuel annually by 2001, he said. Beijing had a prototype experimental fast-breeder reactor, and research would be pushed into consumption of plutonium obtained by the recycling of spent fuel from light-water reactors. *Kyodo, Tokyo*

Australia factory prices up

Manufacturing prices rose 0.8 per cent in Australia during February, taking the year-on-year increase to 3.7 per cent. This is the highest rate seen since early 1991, and compares with a year-on-year rate of 2.9 per cent in January.

The manufacturing price data has significantly less market impact than consumer price index figures, but some analysts believe it could point to uncomfortable inflation trends. Last month, Mr Bernie Fraser, Reserve Bank of Australia governor, warned underlying inflation could move outside the target range of 2-3 per cent in the current year. *Nikki Tait, Sydney*

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Car talks resume in yen's shadow

By Nancy Dunne in Washington

The US and Japan today resume talks over trade in cars, with the high yen an uninvited guest at the negotiating table.

The US is pressing for commitments on increased purchases of car parts by Japanese car companies and greater space for imported cars in Japanese showrooms.

Mr Andrew Card, president of the American Automobile Manufacturers Association, believes the higher yen and lower dollar will encourage greater Japanese co-operation. "The trade imbalance reflects a structural problem that is a closed market," he said. "If Japan were to open the market and the openness could be measured, that would moderate the challenges in the exchange market."

Tokyo has been insisting that forcing its car industry to buy more American-made car parts or cars is "outside the scope and responsibility of government".

In a recent letter to Japan's trade minister, Mr Mickey Kantor, the US Trade Representative, implied that the government could pressure industry to comply. "In 1992, the government of Japan played an important role in working with the auto companies to bring about a successful result, and frankly, the situation should not be different this time," he said.

US officials have said time is running out and if there is no satisfactory agreement then the US is prepared to consider all options, including sanctions against luxury Japanese cars.

A likely deadline for agreement could be the next meeting of trade ministers from the US, Japan, Canada and the EU on May 4-5. Mr Kantor could then meet Mr Ryutaro Hashimoto, Japan's minister for trade and industry, and if all else fails, announce the Japanese car market has been found to be closed. Sanctions could follow.

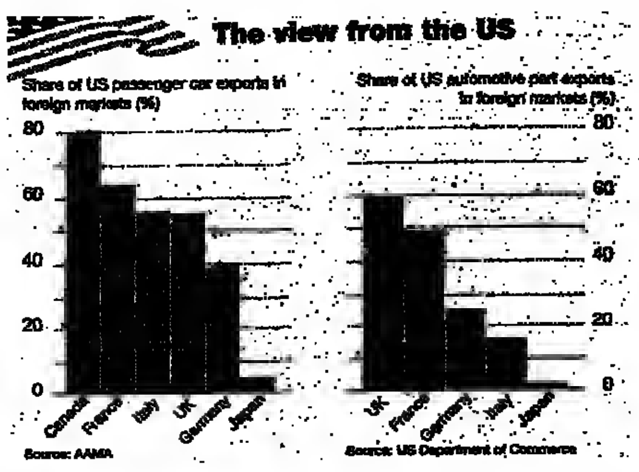
US takes on Japan's PR masters

By Nancy Dunne in Washington

It's results-oriented. We have quantitative and qualitative measures. What we've done in these baskets and sectors is to intersect structural and sectoral concerns. When you look at reality, where they cross is where the problem occurs. – Mr Mickey Kantor, US Trade Representative, speaking at a House Ways and Means subcommittee on July 13, 1993.

That was one of numerous assertions by Clinton administration officials to try to explain their approach to trade negotiations with Japan. It was a strategy that in many ways succeeded, but in the end the US was forced to acknowledge utter defeat by Japan in the arena of public relations.

Distracted by the North American Free Trade Agreement, negotiations on the new World Trade Organisation and various trade disputes, the US was overwhelmed by the publicity machine of Japan's Ministry of International Trade and Industry.



"In one of the great ironies of the late 20th century, Japan – which has rigged its economic systems for over 100 years – branded the US as wanting to manage trade," said Mr Jeffrey Garten, Commerce Department undersecretary for trade, last December. "From Seoul to Sydney, from London to Frankfurt, and even around the US, the image stuck. From a public relations standpoint we never recovered."

Since then the administration has been fighting back. The US Trade Representative's office, its manpower thinly stretched, has been engaged in a co-ordinated counter-attack with the US Commerce Department and the vehicle manufacturing industry.

"It has become necessary to be aware of the power of a single story," a senior US official said. The effort is to match Tokyo fact for fact.

When the Japan Automobile Manufacturers Association (Jama) says its import market has grown to 8.1 per cent (failing to include sales of mini cars), the American Automobile Manufacturers Association produces figures showing import penetration at 4.6 per cent (including imports of Japanese transplants).

Packages with bold graphics and charts and readable "fact sheets" now appear at more frequent media briefings. Officials have been told to tone down jargon.

"We always separated policy and communications strategy," a senior US official said. "Now, before we proceed to develop a policy, we decide how we're going to explain it."

The US now has just three clear demands in car talks: It wants Japanese vehicle makers to let their distributors sell foreign cars. It wants Japanese companies to announce plans for more purchases of US-made parts for new cars. It wants deregulation of the replacement parts sector.

US officials have learned that if they do not meet the press after negotiating rounds, they leave Miti free to characterise issues. During the last car trade talks in Tokyo, they were accompanied for the first time by a press adviser, who ensured that a transcript of the press briefing was swiftly faxed to trade journalists.

"We have learned to stay on the message," said one press adviser. "The Japanese are masters at tying you up in the minutia. Then you start arguing about your interpretation of quantitative and qualitative indicators."

Japan's representatives in Washington have noticed the change. Mr Charles Powers, who has worked for the US Treasury, the Transportation Department and the tobacco industry, distributes press statements from Jama. The US side "seems to be communicating more", he said. But so is he. "You can do all kinds of PR in the world, it still boils down to the facts: there aren't any trade barriers to the sale of US autos in Japan," he said.

Tokyo officials say it with statistics

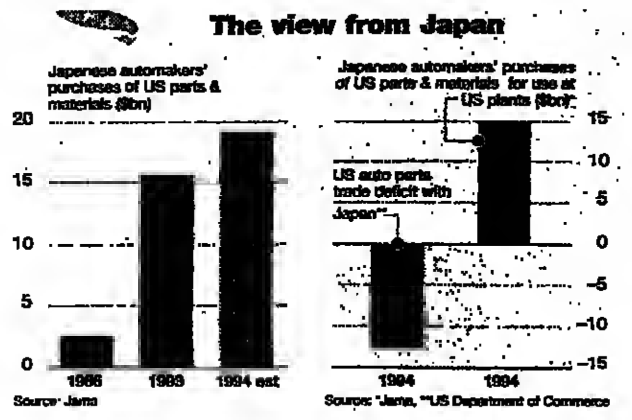
By Michiyo Nakamoto in Tokyo

Faced with US criticism of Japan's closed markets, Tokyo bureaucrats and industry representatives have pooled their resources to compile reams of statistical data to counter US charges.

This is an easy task for the highly educated Japanese bureaucrats. Much of their work involves information gathering anyway, and their control over information is a source of their influence.

Armed with statistics supporting their views, Japanese officials have been able to win over politicians, many of whom have little expert knowledge of the issues they deal with, and shape public opinion through the media.

During the framework talks with the US, the Ministry of International Trade and Industry as well as industry organisations such as the Japan Automobile Manufacturers Association, could be relied upon to provide the public with information.



Prior to this week's round of talks in Washington, Miti has distributed information, in English, which shows a 68 per cent increase in imports of US cars last year and a six-fold rise in purchases of US car parts by Japanese car makers between 1986 and 1993.

For its part, Jama has been active in the US, providing information on car and car parts industries and markets to counter US claims that the Japanese market is closed. Jama is well placed to perform that role since it collects data on industry trends monthly.

But what makes the Japanese publicity machine so formidable is the united front that business and bureaucrats adopt on many trade issues.

The resources and energies of both private business and public officials are pooled and co-ordinated through monthly meetings with trade officials.

The effect of both the public and private sector taking the same stance sends a clear message to the Japanese public and foreign audiences and puts weight behind Japan's claims that US demands can be unreasonable. In addition Japanese bureaucrats are skilled at using the media, said Mr Kazuo Ueda, economics professor at the University of Tokyo.

"The Ministry of International Trade and Industry and the Ministry of Finance are particularly aware of the influence of the mass media," and know how to use the media when they want to get a policy idea across, he said.

Mr Ueda says this is possible because the Japanese media is particularly influential in forming public opinion. Once the public accepts the policy set out by bureaucrats, the officials are then able to use public opinion as a justification for carrying out that policy. For example, if public opinion does not accept numerical targets, it gives bureaucrats grounds for rejecting such targets.

"There is a strong feeling that we must form public opinion," said an official at Miti. The public rejection of numerical targets and concerns expressed by the European Union and Asian countries, helped Japanese negotiators say "no" to US demands for targets, he notes.

Also, having public opinion on their side helps to convince Japanese politicians that certain demands are unacceptable. Many politicians are old-timers eager to please the US on any issue, but they cannot ignore public opinion. The Japanese strategy has been effective in drumming up criticism, not only in Japan but also overseas, of the US stance on numerical targets.

One reason for its success has been the use of publicly available data, such as customs statistics, to get a point across. "We don't want to spread propaganda but want the media to be properly informed of the objective facts to build a more constructive dialogue," a Jama official said.

WORLD TRADE NEWS DIGEST

Japan protests at EU fish ban

The Japanese government yesterday said it would make immediate efforts to lift the European Union's ban on Japanese fish. Officials could not hide their bewilderment over the abrupt embargo. "We are very surprised," Mr Kozo Igarashi, chief cabinet secretary, said. "The overall import ban includes (fish from) factories which were not inspected. Also, a prior notification has not been received from the EU, which is rare in such cases," he said.

Consultations have started at the Japanese embassy in Brussels, and representatives from the Health Ministry and Fisheries Agency will be sent to the EU to quickly resolve the problem, the Health and Welfare Ministry said. Japan's ambassador to the European Commission has protested to the EU on the decision, made without any expert investigation, the ministry said.

It said it had not yet received an official statement from the EU explaining the reasons for the ban. *Reuter, Tokyo*

Guinness to brew in China

British drinks giant Guinness is to brew its dark stout ale in China, which ranks second only to the US in beer drinking nations. Guinness, the world's eighth largest brewer, has signed a deal with the government-owned Putian Brewery Company to supply stout from the end of April from a brewery midway between Hong Kong and Shanghai.

Guinness stout has been imported into China via Hong Kong for 15 years, with most of it being consumed within the Guangdong province adjacent to Hong Kong in south-eastern China. The Putian brewery, built in 1992, can produce 500,000 hectolitres annually, and Guinness stout will be available in bottles and cans. Many international brewers have been expanding into China where the beer market is growing at 20 per cent a year. *Reuter, London*

$30m Acer plant for Subic Bay

Acer, the Taiwanese personal computer manufacturer, yesterday announced it would invest $30m to set up a plant in Subic Bay freeport in the Philippines. More than 500 jobs would be created at the 15 hectare site, the company said. The Taiwanese company, the third largest computer maker in Asia, will initially manufacture the hard-drives and later produce CD-ROMs and other components before assembling the complete system in Subic, according to Dr Harvey Chang, general manager of Acer's desktop division. This would be the company's first investment outside Taiwan.

Mr Richard Gordon, chairman of the Subic Bay metropolitan authority, said the freeport had so far netted $1.5bn of pledged foreign investments, which is double the figure a year ago. So far 46 companies have paid deposits for factory sites in Subic, creating more than 15,000 jobs by the end of 1995. Federal Express, the US delivery company, recently chose Subic as its Asian hub and will launch its first flight on April 30. *Edward Luce, Manila*

Contracts and ventures

■ Aero Lloyd, the German charter airline, is to buy or lease 16 Airbus Industrie aircraft. The airline is buying two A320s and four A321s from Airbus. The aircraft will be delivered over five years. It is also leasing four A320s and six A321s from ILFC, the Los Angeles-based leasing company. Aero Lloyd has options to take four more aircraft from Airbus and two more from ILFC. *Michael Skapinker, Aerospace Correspondent*

■ Matsushita Electric Industrial has developed an optical pickup which is capable of reading both digital video discs and compact discs. Matsushita will start selling DVD-CD combined players by the end of 1996 using the technology, a spokesman said. DVDs, announced by two groups of companies earlier this year, are next-generation CDs capable of storing digital motion pictures and sound. DVDs are not currently compatible with CDs. *Reuter, Tokyo*

■ CHC Helicopter of St John's in Newfoundland, through its UK subsidiary Brintel, will supply Shell UK Exploration & Production with North Sea helicopter transport services worth £125m ($200m). The long-term contracts cover mainly servicing of the east Shetland Basin rigs and also services for the central North Sea. *Robert Gibbens, Montreal*

■ Ericsson has signed a contract with the Philippine Long Distance Telephone Company (PLDT) for the supply and installation of fixed telephone lines in Metro Manila and Cebu. The contract, worth about SKr740m ($100m), includes the supply and installation of both fibre optic and copper cable networks. Once completed, at the end of 1996, PLDT will be able to add about 175,000 subscribers to its network. *AFX, Stockholm*

■ US fast food giant McDonald's plans to open 600 restaurants in China in the next decade. It said it was reorganising its Hong Kong operations and would retain original joint venture partner Mr Daniel Ng Yat Chiu, who formed the relationship in 1975, as its new chairman in the territory after buying him out. Financial terms of the deal for Mr Ng's unspecified stake in the Hong Kong operations were not released. There are currently 83 McDonald's restaurants in the territory and more than 20 outlets in China. *AP, Hong Kong*

■ A Nissan Motor affiliate in Thailand has won an order for metal moulds from a unit of Honda Motor Company. Metal moulds from SNN Tools and Dies (SNN) will be used at the 49 per cent Honda-owned Honda Cars Thailand to stamp panels for a cheap new car designed for Asian markets. The model is expected to be launched by 1997. Nissan said SNN was also talking to Toyota of Japan about supplying moulds for a new model at Toyota's Thai unit. *Reuter, Tokyo*

■ Germany's Berliner Bank and the Bank for Foreign Trade of Vietnam (Vietcombank) have signed an agreement to grant Vietnamese importers DM50m ($36m) of soft loans to buy goods from Germany. The state-owned Voice of Vietnam radio reported the deal was the third that Berliner Bank had signed with Vietnamese banks. *Reuter, Hanoi*

■ Coopers and Lybrand has become the first of the world's "Big Six" accounting firms to establish a joint venture in Vietnam. Coopers said it had signed an agreement with local firm, Auditing and Informatic Service Company, for a 50-50 venture called C&L-AISC. *Reuter, Hanoi*

■ India's Usha Martin Industries is seeking a new foreign partner to bid for a $60m project to provide basic telephone services in the eastern West Bengal state, the Business Standard newspaper said. *Reuter, New Delhi.* See feature: Indian telecoms

FOREIGN DIRECT INVESTMENT

Unctad seeks negotiations to curb incentives

By Frances Williams in Geneva

The United Nations Conference on Trade and Development today calls for international negotiations to curb incentives for foreign direct investment.

In a report* Unctad says competition for overseas investment has become much more intense than it was a decade ago.

The resulting plethora of incentives threatens to raise the cost of attracting foreign direct investment (FDI), to the detriment of poorer countries, and increase the risk of distorting investment flows.

Surveying FDI incentives programmes in more than 100 countries, Unctad says the overall number and range of inducements has increased considerably since the mid-1980s.

Incentives now tend to be more targeted for specific purposes, such as encouragement for high-technology activities, but while their impact may be greater so is their potential for creating damaging economic distortions.

Whether the benefits of incentives exceed their costs is still a matter for debate, Unctad says, noting that when governments compete to attract FDI "there will be a tendency to overbid".

This can lead to inequitable results if wealth is thereby transferred from citizens of poor countries to investors in rich ones.

International competition for FDI is strong despite the fact that incentives play a relatively small part in the location decisions of multinationals, which are based primarily on such factors as access to markets and production costs. However, Unctad acknowledges that they can tip the balance in marginal cases.

The cost may nevertheless be extremely high, as the study shows in some recent examples involving motor manufacturers.

Alabama in the US offered incentives worth $168,000 per worker to attract a Mercedes-Benz plant to Tuscaloosa in 1993.

The British government is to subsidise a Jaguar car plant in the Midlands to the tune of over $100,000 per worker. And in return for building the new Swatchmobile in the depressed Lorraine region in France, Mercedes-Benz will receive the equivalent of $57,000 per worker.

Drawing a parallel with agreement in the Uruguay Round of global trade talks to restrict trade-distorting subsidies, Unctad says multilateral negotiations could aim to cap the value of incentives and overall government spending on them, or to eliminate those incentives that appear to be the most inefficient.

Mr Karl Sauvant, who heads Unctad's research on transnational corporations and investment, says talks on investment incentives could be dovetailed with planned negotiations on global investment rules. These are due to be launched this spring in the Organisation for Economic Co-operation and Development and may later be taken up in the World Trade Organisation.

Plethora of inducements threatens to raise the cost of attracting foreign projects, to the detriment of poor countries

However, the issue could be dealt with by extending the present WTO subsidies agreement to cover inducements that distort investment as well as trade, or it could form the subject of a free-standing accord, Mr Sauvant said.

More immediate measures suggested by Unctad include further analysis of the costs and benefits of incentives and improved transparency in their use.

**Incentives and foreign direct investment (TD/B/ITNC/Misc.1). Available from Unctad, Palais des Nations, CH-1211 Geneva 10, fax +41 22 907 0194.*

The credit crunch has prompted calls for greater concentration of the financial system

Argentine banks face merger pressure

By David Pilling in Buenos Aires

Pressure is growing for a sweeping consolidation of Argentina's banking system, with many small and medium-sized banks closing today for the Easter bank holiday amid uncertainty over their future.

The central bank is being urged by larger banks and by opposition politicians to close the 20 or so regional institutions believed to have stopped paying back customer deposits. "We demand that the central bank comply with its statutes by suspending any bank that is not fulfilling its obligations to customers," said Mr Rodolfo Terragno, a Radical party politician.

Mr Roque Fernández, central bank president, has said that any consolidation will be "gradual" and that banks in difficulty will be studied on a case-by-case basis. The government is reluctant to contemplate mass bank closures just when confidence appears gradually to be returning to the system and only one month before presidential alections.

However, Mr Domingo Cavallo, economy minister, appeared to encourage the notion of a greatly reduced financial system when he said the credit crunch triggered by Mexico's financial crisis had "presented a unique opportunity to demand greater productivity and efficiency from the banking sector." He foresaw a "more concentrated" system, in which hanks would have higger branch networks and operate with lower spreads.

Many larger banks, reluctant to prop up weaker banks, are stalling in negotiations over a proposed deposit guarantee scheme, which would require them to contribute a percentage of deposits to an insurance fund. Although enabling legislation for the scheme was passed by Congress last week, attempts to iron out details have so far failed.

Although many weak banks, hit by the credit crunch, have merged in recent months, Argentina still has more than 150 banks – too many for its deposit base of around $40bn (£25bn). Tha top 50 Argentine banks hold more than 80 per cent of deposits.

This week, Mr Norberto Peruzzotti, executive director of Adeba, the association of big Argentine banks, stoked controversy by suggesting that only about 40 banks would survive the present crisis. Representatives of smaller institutions said such comments risked starting a fire that could end up engulfing the system.

More than $7bn has been withdrawn from the banking sector since Mexico's devaluation in December, although the haemorrhage has stopped since the signing last month of a financing package with the International Monetary Fund.

● The government has raised $225m in cash through the privatisation of the Futaleufú hydroelectric plant in Patagonia, 98 per cent of which has been sold to Aluar, an Argentine aluminium manufacturer. The sale represents a good start to this year's privatisation programme in which the government hopes to earn at least $2.4bn.

Kansas hesitates to subscribe to Contract with America

George Graham, in Topeka, finds that voters are unsure whether to congratulate the Republicans on their first 100 days in charge

Republican leaders did everything they could last week to make a splash over how much they have achieved since taking over Congress in January: there ware alephants from Ringling Brothers circus on the Capitol steps and hissing newts from an Ohio zoo in the office of Speaker Newt Gingrich.

But, outside Washington, the ripples from the Republicans' ambitious "Contract with America" legislative agenda are few. In the green farmland of eastern Kansas, the home state of Mr Bob Dole, the Senate majority leader and presidential candidate, it is hard to find anyone who has paid attention to the 10 bills the Republicans promised to bring to a vote in the House of Representatives within 100 days of taking office. The deadlina expires today.

"Not me," says Mr Ken Hornberger, an auctioneer in Perry, a small town of bungalows and trailer homes spread in the shadow of grain silos alongside the Santa Fe railway. "Isn't going to make any difference, anyway. Been that way for 400 years."

Mr Bill Miller, a farmer in nearby McLouth, is not quite so quick to dismiss the Republicans' efforts in Congress. But he is just as sceptical about the likelihood of any real change resulting from the Republican Contract – most of which has yet to pass the Senate or be signed into law by President Bill Clinton.

"I'm still waiting to see what the outcome is. You know these politicians – they can tell you one thing and turn around and do another," he says. Those are harsh words for Congressman Sam Brownhack, whose district covers much of eastern Kansas. Elected for tha first time in November, he is one of the "freshmen" radicals who went to Washington with the goal of slashing the federal budget and shutting down government departments.

"There's been a lot of things passed – so many so that things kind of go by in a blur," he said this week as he toured his district, asking his constituents for advice on the tough task the Republican majority in Congress has set itself: coming up with a budget plan that eliminates the deficit hy 2002 or sooner. "The first 100 days have been easy compared to what's coming up."

Mr Brownback did not get much help from constituents at meetings this week in Osage City and Burlington when be asked for suggestions on where to cut the budget. Foreign aid, now less than 1 per cent of the federal budget, was a favourite target. Local bankers also wanted to cut the supervisory staff of the Federal Deposit Insurance Corporation, which guarantees bank deposits.

"I think we ought to cut the foreign aid budget. I just wish there was a lot more of it there to cut," said Mr Brownback, who helieves, nevertheless, that it is important to make all of these smaller cuts – especially those that affect members of Congress directly, such as their generous pension plan.

"That won't amount to a drop in the bucket on the federal deficit, but it will give us the moral authority to cut the rest," he added.

A handful of Mr Brownback's constituents disagree with his focus on balancing the hudget. "A balanced budget is important but not the most important thing right now – not important enough to change the constitution for," says Mr Tom Lutz, a retired railway worker and avowed Democrat in Topeka.

But most Kansans appear to take it for granted that a balanced budget is the right goal, and to be impatient for Congress to take that goal seriously. "If we ran our houses like they run the government, we'd be in one hell of a shape," saya Mrs Isabelle Perrin of New Strawn, a cluster of houses and shops on the main road south from Topeka to Tulsa, Oklahoma.

And, in this agricultural region, many farmers are ready to give up their federal subsidies. "I'm a farmer and I think they should be cut. They've been living off farm welfare long enough," says Mr Miller of McLouth.

Many Kansans, however, are doubtful about the Republicans' wisdom in pushing for $189bn (£118.1bn) in tax cuts before they have got the budget into balance. And Mr Gingrich'a insistance on allowing families earning up to $200,000 a year to benefit from the principal tax cut – a $500 per child tax credit – draws some criticism.

"I think $200,000 is way too high. I think anybody with over $100,000 doesn't need a tax break," says a man who attended Mr Brownback's meeting in the Burlington Bakery and Eatery. Mr Bob Eisenbach, who attended a similar meeting in Osage City, describes the $200,000 limit as "preposterous, ridiculous".

"Most retired people around here are between $15,000 and $30,000. If the limit is going to be above $75,000, we ought to go to the office and file for welfare because we are on poverty too," he scoffs.

If few of Mr Brownhack's constituents have any suggestions on where to make big spending cuts, many are braced for a budget that will slash many familiar programmes, including the popular Medicare health insurance scheme for the elderly.

"Social Security's off the table, defence is off the table, interest is off the table. If you are only dealing from half the hndget, it's going to mean major cuts. I think a lot of people feel like they want to cut, hut we'll see how they feel when it's them getting cut," warns Mr Kent Smith, a farmer from Iola.

Gingrich: Kansans are waiting to see what comes next Reuter

AMERICAN NEWS DIGEST

Consumer price index up 0.2%

US consumer prices rose less than expected last month, indicating that upward pressure on inflation remains fairly modest, the Labour Department reported yesterday. The consumer price index rose 0.2 per cent and by 2.9 per cent in the year to March. Excluding the volatile components food and energy, the "core" index rose 0.3 per cent, in line with expectations.

The data followed the release earlier this week of figures showing producer prices were unchanged last month and up less than 2 per cent in the year to March. Many economists regard the inflation data as further evidence that economic growth is slowing to a sustainable pace in response to a 3 percentage point increase in short-term interest rates in the year to February. In the absence of a strong rebound in consumer spending, many analysts expect the Federal Reserve to keep monetary policy on bold for several months, despite the dollar's weakness.

The latest statistics, however, are less encouraging than the headline figures suggest, as they confirm inflation has drifted higher since last year. The overall index rose at an annualised rate of 3.2 per cent in the three months to March, compared with 2.9 per cent on a year-on-year basis. After stripping ont food and energy, the core index rose at an annualised rete of 4.1 per cent over three months against 3.0 per cent on the yearly comparison. *Michael Prowse, Washington*

Bonus for Venezuelan workers

Venezuela's government has decided that private sector companies must pay most of their workers a bonus of almost $3 (£1.80) for each day worked in an effort to promote new spending and boost economic growth. The country is in its third year of recession.

The payment will cover workers earning up to $882 a month. Government officials also promised to review wage scales for public sector employees. Ironically, the wage increase – called a subsidy by the government – is meant to be part of a new anti-inflation pact being worked on by President Rafael Caldera's economic ministers.

The pact is expected to include cuts in government spending, a temporary freeze on wage and price increases, a renewed commitment to reforming the onerous system of workers' severance benefits, and new government debt instruments designed to absorb excessive liquidity in the financial system. *Joseph Mann, Caracas*

Bolivia strikers fight police

Hundreds of striking teachers and miners, some setting off dynamite and throwing rocks, fought police in La Paz, the Bolivian capital, yesterday, continuing protests that have left at least 30 people injured since Tuesday. The public sector teachers and government-employed miners have been on strike for a month demanding higher wages and protesting at educational and economic reforms. Government and union leaders, brought together by the Roman Catholic Church, entered negotiations yesterday. *AP, La Paz*

Mexicans pay more for tortillas

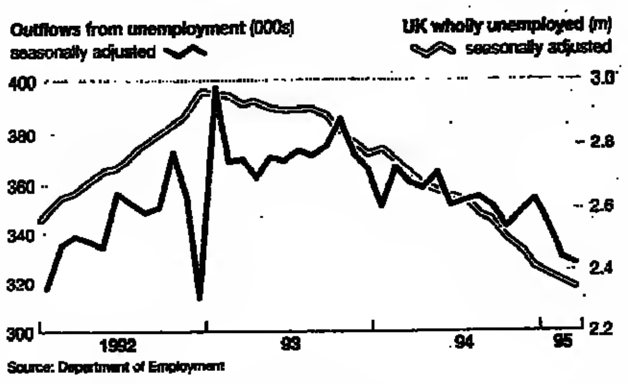
The price of tortillas, a main staple of the Mexican diet, went up 26.6 per cent this week, the first increase in four years. The Commerce Ministry authorised the increase in the heavily subsidised foodstuff. A kilo of tortillas will now cost 95 centavos, compared with 75 centavos previously. Some 2m poor Mexicans receive a kilo of tortillas each day at no cost. *AP, Mexico City*

NEWS: UK

Small fall in jobless hints at slow recovery

By Robert Chote, Economics Correspondent

Unemployment: Falling but fewer leaving dole



Source: Department of Employment

Fewer unemployed people in the UK left the dole queue in March than in any month for more than two years, official figures showed yesterday.

As a result, the number of people without a job and claiming benefit registered its smallest fall for eight months, according to the Department of Employment.

The seasonally adjusted drop of 20,500 took the jobless total to a near four-year low of 2.346m.

The small decline suggests the recovery in the labour market and the economy has slowed significantly since late last year.

Unemployment has fallen only half as quickly during the first three months of this year as it did in the final quarter of 1994. But the employment department insisted the trend in the jobless total, which has fallen for 19 successive months, was stable.

The proportion of the workforce without a job and claiming benefit stands at 8.4 per cent, the lowest since July 1991.

But the number leaving the dole queue in the month fell to 327,700, the lowest since the jobless total peaked at the end of 1992. The number leaving the dole queue each month has dropped sharply this year, while the number joining it has been stable.

Further signs of a slowing recovery emerged from figures which showed that fewer new job vacancies were notified to Jobcentres in March than in the previous month and that fewer existing vacancies were filled.

The number of hours of overtime worked in manufacturing also dropped, in February, to its lowest since August last year. A net 6,000 new factory jobs were created in the month, the smallest number since October.

But manufacturing is still performing relatively well, buoyed by export demand. Separate figures showed average earnings are rising more than twice as quickly for factory workers as for workers in services. Factory labour costs are rising at their quickest rate since 1991.

Earnings have grown at an average rate of 3.5 per cent throughout the economy over the past year, barely matching the rise in prices.

Government seeks to break deadlock

Further troop withdrawals as pressure on Sinn Féin increases

By John Kampfner in London and John Murray Brown in Belfast

Troops board an aircraft at the Royal Air Force base in Aldergrove

The announcement that a further 400 troops are leaving Ulster will increase pressure on Sinn Féin to meet government conditions for giving up its arms.

The news comes shortly before the traditional weekend events marking the anniversary of the 1916 Easter rising.

It appears designed to show that the government will not delay plans for talks with other parties while waiting for Sinn Féin to satisfy its conditions.

Grassroots unionist sentiment is still divided. Leaders of the Ulster Unionist party held informal talks with the mainly Catholic SDLP to discuss progress on the peace process, the first such meeting since 1992.

At the same time, Mr John Bruton, the Irish prime minister, began a two-day visit north of the border where he was meeting Sir Patrick Mayhew, Northern Ireland secretary.

Sir Patrick was last night expected to use a speech at a CBI dinner in Belfast, which he was attending with Mr Bruton, to signal plans to invite the main constitutional parties for talks after Easter.

The withdrawal reduces the number of British troops in the province to 17,500 compared with close to 30,000 at the height of the troubles in 1992.

The soldiers of 40th Regiment Royal Artillery, who are halfway through a six-month tour of duty in the province, will be returned to their base in Germany over the next two weeks. But Sir Patrick made clear they will remain on standby to be recalled if necessary. An earlier contingent of 400 troops left last month.

Sir Patrick said the decision "represents a further welcome step towards normality in Northern Ireland".

With the IRA ceasefire in its eighth month, the government has been at pains to show that it is leading from the front in providing a "peace dividend" and is not being pushed into security concessions by Sinn Féin.

That is not how the more radical unionists see it. Mr Peter Robinson of the Democratic Unionists described the latest troop withdrawal as "unilateral decommissioning" by the army.

In a further gesture, several permanent vehicle road blocks outside police stations and army installations were being removed yesterday.

Sir Patrick is hoping that these steps, coupled with the Dublin government's release of another seven republican prisoners this week, will force Sinn Féin to break the deadlock in its exploratory talks with the Northern Ireland office.

Both sides had prepared for the talks to be upgraded to ministerial level before Easter.

However, little progress has been made on the sticking point – Sinn Féin's linking of the surrender of its weapons with what it calls demilitarisation. The British refuse to equate the army and police's legally-held arms with those of the outlawed paramilitaries.

The tough British stand was endorsed by President Bill Clinton during talks with Mr John Major, as both leaders drew a line under their row over the White House welcome for Mr Gerry Adams, Sinn Féin president.

With so much movement, the British feel cautiously optimistic that Sinn Féin might now yield enough on decommissioning to push the process ahead.

Yet ministers are wary of giving the impression of wanting to isolate Sinn Féin.

In a speech in Paris on Thursday night, Sir Patrick said: "So far no guns, no explosives, no detonators have been decommissioned. For my part I am realistically hopeful that this peace will stick, but I am also enough of a realist to recognise that at this stage it is not certain."

Sinn Féin's share of the vote in Northern Ireland, at around 11 per cent, "is sufficient to qualify them to participate in substantive political talks," Sir Patrick said, provided they met the terms.

All sides were hoping that the series of rallies over the weekend will pass off peacefully in contrast to past years.

On Sunday, Mr Adams is due to address the traditional Easter rally outside Dublin's general post offica where the bloody rising against British rule took place in 1916.

Mr Martin McGuinness, head of Sinn Féin's negotiating team, will speak at a rally in the Falls Road in Belfast, while Mr Pat Doherty, a member of the party's national executive, will lead a march in Londonderry. In what is the informal start of the Unionist summer marching season, which peaks for the Orange Order on the July 12 celebrations, the apprentice boys of Derry are due to hold a march in south Belfast on Monday.

A possible flashpoint is the largely nationalist Armagh Road where five Catholics were gunned down in a loyalist raid at a bookmakers in 1992.

Nationalists are viewing the march as a test of the commitment of the Unionists to reconciliation. Local residents have lobbied the RUC and the Orange Order, and took their case unsuccessfully to court, to have the march re-routed.

Peers delay disability bill

By James Blitz

The government's Disability Bill – one of the most fiercely contested pieces of legislation in the current session of parliament – has received a serious setback, with signs that it will not complete its passage through parliament by the summer recess.

As the government draws up its legislative strategy for the remainder of this session, it has emerged that debate on the bill, which forces employers not to discriminate against disabled persons, will only be concluded in the House of Lords in the parliamentary "spillover" period in October.

The decision to delay completion of the bill, taken by government whips earlier this month, amounts to a serious tactical reverse for Mr Peter Lilley, the social security secretary, who is sponsoring the reform.

The delay will provide more time for peers and voluntary groups to rally support against key sections of the legislation to which they are opposed.

It could also expose the legislation to any difficulties created by the introduction from today of the new incapacity benefit system, under which thousands of people who have received disability subsidies will no longer do so.

Senior Labour politicians have privately admitted in recent weeks that they believe Tory peers could force the government into two key concessions.

Labour is calling for the bill to set up a powerful disability rights commission to ensure compliance with legislation in a manner similar to the commissions for race relations and equal opportunities.

Opposition peers also want to convince employers' groups of the need to bring small companies into the remit of the bill, obliging them to spend more money on facilities for the disabled.

The decision to defer the third and final reading of the bill to October was forced on the government after complaint by Labour peers that too much social security legislation was scheduled for debate in the Lords in the first six months of this year.

The Lords must also consider bills to introduce a Job-seeker's Allowance and reform the Child Support Agency.

Britain's opposition parties intensify war of words

By John Kampfner, Westminster Correspondent

Labour and the Liberal Democrats launched broadsides at each other yesterday as both parties vied for the the votes of disgruntled Conservativevoters in next month's local government elections in England and Wales.

Launching his party's campaign, Mr Paddy Ashdown, the Liberal Democrat leader, declared the election would be a referendum on education.

He said: "In the same way that people said 'no' to the poll tax in 1991, we are asking them to say 'no' to education cuts on May 4 1995 Education cuts now will be seen as an act of vandalism by future generations. That is why these elections will be a referendum on Britain's future." With the Conservatives forecast to lose at least 1,000 of the 4,000 seats they are defending, possibly trailing the other parties in third place, Mr Ashdown predicted that the Liberal Democrats would take, or share, power on 40 per cent of councils.

"One of the things you will see after this is a withering of the depth and effectiveness of the Tory machine," Mr Ashdown said.

Labour released a document that paints an entirely different picture. Liberal Democrat election strategists concede in a confidential memorandum that Labour was benefiting most from the drastic slide in Conservative fortunes.

"The document, leaked by Mr Frank Dobson, Labour's environment secretary, says: "Labour are currently the 'natural' home of dissident Conservatives". It adds: "Even where Labour is not running an active campaign . . . electors are attracted to vote for them. The 'Blair effect' does not rely on a strong local campaign to be effective."

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UK NEWS DIGEST

Eurostar train snag leads to six hour delay

There was further gloom for the channel tunnel yesterday when hundreds of passengers were stranded on a morning train from Paris, reaching London six hours late.

But it was not the fault of the tunnel or of Eurotunnel, its Franco-British owner. The 07.13 from Paris was more than a mile out of a tunnel in Kent when its pantograph – the overhead power arm – became entangled with the overhead power cable, bringing the train and its 247 passengers to an abrupt halt.

The train was tranferring from the overhead power cables to the electrified third line used in southern England when the mishap occurred.

Eurostar, the train operating company owned jointly by the British, French and Belgian governments, suspended the train service for three hours, bringing two other £24m Eurostar trains to a halt. About 675 passengers were stranded on a London-Paris train at Ashford in Kent while a Paris-London train was stopped near Calais.

The tunnel shuttle service for cars and lorries was unaffected. Although train services resumed at 11am the unlucky passengers in the entangled train had to proceed to London by coach, arriving at 3pm.

"Wa are not sure what happened," said Eurstar. "It could be something as daft as a swan flying into the overhead wire." But it could have been worse: the train was only one-third full. *Andrew Adonis*

National stadium plans to attract bids

The Sports Council, the agency responsible for promoting sporting activity in the UK, yesterday invited bids for lottery funds to build a new national stadium.

Proposals to build an arena in England capahle of seating up to 100,000 spectators is expected to attract bids from rival consortia in London, Manchester, Birmingham, Sheffield and Bradford.

The council said it would use National Lottery funds to underwrite 35 per cent of the construction costs, estimated at about £200m.

Potential bidders have been told to submit detailed plans by June 30 setting out their operating strategy, likely funding arrangements, management structure and planning criteria.

Although a new multi-purpose stadium is thought to be the favoured option, existing sites such as Wembley could win a portion of the funds. Wembley, which earlier this week disclosed a £120m refinancing, said it was considering a funding application.

A National Stadia Steering Group – comprising the chairmen and chief executives of sporting organisations including the Rugby Football League, Britisb Athletics Federation and Football Association – is expected to announce a decision at the end of September. *Tim Burt*

Liverpool's south docklands win development permission

The government yesterday gave the final go-ahead for development of the last large remaining tract of derelict land in Liverpool's disused south docklands.

A £20m, 200,000 sq ft retail park employing 600 people is to be built on the filled-in Herculaneum Dock on the Mersey waterfront – disused since it was a car park for the 1984 International Garden Festival.

Merseyside Development Corporation, a government agency, which owns the land and is the planning authority, gave consent for the project in January, but Mr John Gummer, the environment secretary, had to decide whether to order a public inquiry because it exceeds the 100,000 sq ft ceiling the government uses to ration large-scale retail schemes. *Ian Hamilton Fazey*

Animal welfare lobby may disregard court's opinion of port protests, writes **James Harding**

Live exports promise summer of discontent

The High Court yesterday advised animal welfare campaigners to pack up their protest against live exports to Europe and go home.

"It is impossible for the various port authorities to submit to unlawful protest even if tbey wished to do so," said Lord Justice Simon Brown, adding that "it may be doubted whether there remains any logic in protesting at the ports."

But the pointlessness, in the court'a opinion, of protesting against live exports is unlikely to deter the animal welfare lobby. The High Court's insistence that harbours and ports must remain open to the livestock trade is likely to inflame the movement.

Protesters are warning of a summer of widespread demonstrations, aimad not only at harbours and airports, but at hauliers, the ministry of agriculture, and the European Council of farm ministers, to whom the burden now falls to resolve a prohlem that bas caused puhlic outcry on an unexpected scale and affected the British livestock industry.

Since Dover, the principal point of exit for British livestock, decided to refuse live animal exports on December 1 last year, the National Farmers' Union believes calf exports, which usually generate an annual £95m ($152m) income, have fallen by 50 per cent. Lamb exports, normally producing £80m each year, have fallen by 70 per cent.

A chief reason for reopening the ports – and one to which the court said harbour authorities had paid scant attention – was the damage to farmers' livelihoods. A large number of the country's 20,000 dairy farmers and 60,000 sheep and beef farmers could go out of business unless the ports were speedily reopened, the court said.

The ports will reopen, but the problem will not go away. "Until there is a ban on this trade, we will be stepping up our campaign and will encourage mass demonstrations wherever livestock exports occur," vowed Mr Mark Glover of Respect for Animals, the Nottingham-hased campaign group, yesterday. It was "clearly incumbent on the government" to take action.

Mr William Waldegrave, minister of agriculture, has said repeatedly that the Britisb government will not act alone on live exports, hut must secure a Europe-wide deal on the trade.

Mr Peter Stevenson, political director of Compassion in World Farming, the respected campaign organization that gava evidence to tbe High Court, believes Mr Waldegrave would be acting within European Community law if he banned live exports.

In a letter to Mr Waldegrave, Mr Stevenson argues that Britain would he within its rights under Article 36 of the Treaty of Rome, which permits an opt-out of trade agreements in the interests of a nation's puhlic morality. Further, the terms of the directive on calves and live animal exports are incomplete, he argues.

But unilateral action is unlikely, and Sir David Naisb, president of tbe National Farmers' Union, argues that it is unnecessary.

He believes an agreement by EU farm ministers ensuring adequate conditions for animals transported across the continent could be in place by June.

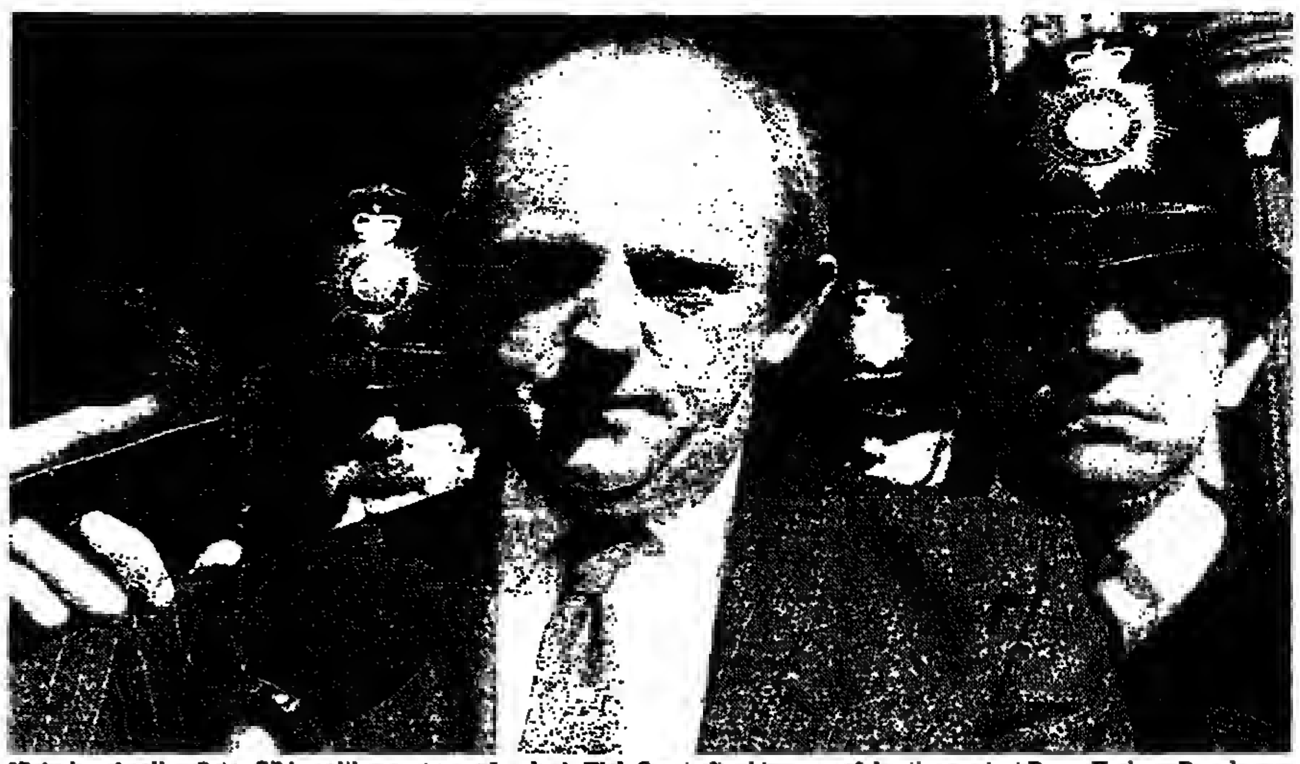
Although the farm council at successive meetings since February has been unable to reach an agreement on maximum journey times and reasonable rest periods for animals in transit, Sir David, newly-elected president of Copa, the European farmers' organization, believes a deal is within reach.

Mr Peter Gilder, the victorious baulier with an annual turnover of £6.5m for whom yesterday's judgment ensures a return to trade through Dover port, said only that "the judgment was brilliant".

Despite recent concern from retailers, notably Tesco, that puhlic outcry against live exports could soon be reflected in consumer demand for meat, particularly veal, Mr Gilder did not believe hauliers need take the initiative to restore public confidence in tbe livestock industry. "We have full backing from the Ministry of Agriculture for what we do," he said.

P&O Ferries, the UK's leading ferry operator and the company that first refused to handle shipments of live animals for slaughter last summer, said yesterday it was waiting for an acceptahle new directive from Brussels.

Regardless of tbe court's view of live exports as lawful trade, P&O said yesterday: "Until legislation is brought in at the European level that satisfies various welfare groups, we will not take this traffic".



Victorious baulier: Peter Gilder with reporters at London's High Court after his snccessful action against Dover Harbour Board

Labour attacks rail sale

By John Kampfner

Britain's Labour party stepped up its campaign against rail privatisation yesterday by claiming that several large infrastructure scbemes had been postponed or cancelled at a cost of millions of pounds.

A Labour document, Obstruction on the Line, listed a series of examples of what it called "the true cost of the government's bankrupt rail policy".

The release of the document coincided with a report which suggested that the total investment on railways was lower in Britain than in 10 other European countries.

The figures, which were published in the April issue of International Railway Journal, put UK investment this year at fully £47,156 per kilometre of track.

Top of tbe list was the Netherlands, which was spending £413,348 per kilometre. Only the privatised US railway system spent less, the report said.

Ms Glenda Jackson, a Labour transport spokeswoman, said of her party's report: "Anyone considering investing in a privatised railway should compare the soothing assurances of ministers with the harsh realities of empty order books, ageing rolling stock and crumbling infrastructure."

Among 10 examples cited by Labour are:

- the £750m West Coast line modernisation proposed in 1990 which has led to cost overrums of £250m,
- the scrapping of new rolling stock for two lines in Yorkshire which were electrified at a cost of £80m, leading to 30-year-old trains having to run on them,
- the £658m electrification of a line north of London. Shortages in rolling stock forced it to remove the electric units from the line and replace them with diesel units.

Labour also gave eight examples of maintenance and manufacturing plants that had closed or suffered job losses as a result of what it called "the effective block on new investment initiatives".

New benefit's many losers

By Andrew Adonis, Public Policy Editor

Incapacity benefit, introdnced today, could inflame protests to matcb the Child Support Agency, to judge by the number of likely losers – which could run into bundreds of thousands.

However, as a reform of the social security system, it is only one in a line of changes plannedto curb the growth in welfare spending and erode what Conservative ministers portray as an unhealthy "dependency culture."

It comes in the week that ministers won a landmark judgment sustaining rules introduced in August to curb "benefit tourism" by people from the EU claiming social security payments in the UK.

The "benefit tourism" rules encapsulate tbe imperatives which have underpinned the three-year reign of Mr Peter Lilley at the Social Security Department.

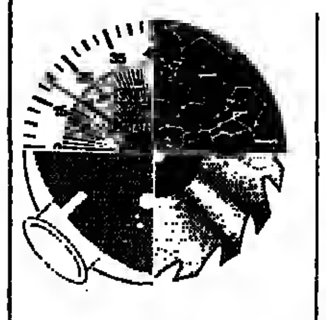
Mr Lilley, a leading Tory rigbt-wing Eurosceptic, bas made great political capital out of his campaign against "foreign scroungers" abusing the UK's welfare state. He brought the 1993 Tory party conference to its feet with a pledge to stop "Cook's Tours becoming crooks' tours".

Legislation is before parliament to push througb other reforms at least as radical as incapacity benefit. Tbese include measures to:

- Raise the pensionable age of women from 60 to 65 in the second decade of the next century.
- Change the calculation of entitlements under tbe state earnings related pension scheme, to restrain spending from tbe end of this decade.
- Halve the entitlement to unemployment benefit from 12 months to six from April, saving a net £270m by 1997-98.
- Restrict bousing benefit – set to cost £10bn this year – by curbing the subsidy of rents above the average.

The objective is not to cut the social security budget, but to curb its growth. At £83bn this year, social security is by far tbe biggest spending department.

Worth Watching · Vanessa Houlder



Strong appeal for micropump

German scientists have developed a minute, reversible pump, which allows through just 50 nanolitres of liquid, equivalent to one-thousandth of a drop of water.

The micropump, which was designed by researchers at the Fraunhofer Institute for Solid State Technology in Munich, could have significant medical applications, ranging from the controlled delivery of tiny amounts of medication to the manufacture of very small amounts of chemicals. It could also assist in the development of an artificial pancreas implant.

The pump, which consists of four silicon chips superimposed on one another, measures seven by seven millimetres.

Fraunhofer Institute for Solid State Technology: Germany, tel 8954759230; fax 8954759100.

Closing in on Alzheimer's

Italian scientists may have come a step closer to understanding Alzheimer's disease, according to a report in today's Nature.

Researchers at the Institute of General Pathology at the University of Verona have worked out how neurons may be damaged by the insoluble deposits of amyloid proteins that develop in the brains of Alzheimer's patients.

They suggest that the proteins react with the immune system cells called microglia in the presence of certain immune system hormones to produce substances which are highly toxic to neurons.

Institute of General Pathology: Italy, tel 45 809 8121; fax 45 809 8127.

Scotland lands on digital map

The archives of hand-drawn ground plans used by land registers in Scotland for more than 300 years are being replaced by a digital mapping system, in an attempt to improve accuracy and efficiency and to cut costs.

The digital mapping system, which has been installed by Syntegra, BT's systems integration business, will be used to draw, store and print boundaries as an overlay on existing digital Ordnance Survey maps. The system has initially been installed in Fife but will be extended to all Scottish counties by 2003.

Registers of Scotland: UK, tel (0)131 659 6111; fax, (0)131 479 3688.

Alternative to chlorination

In many countries, water engineers are exploring new ways of disinfecting water as a result of concern about the slight health risks associated with routine chlorination.

An electrolytic water sterilisation process developed in Russia is being promoted as a safe and effective alternative, by Worldwide Water Technologies, a UK-based company.

The system consists of an electrolytic cell containing salt dissolved in water. When electricity is passed through it, it produces a combination of sterilising chemicals, including chlorine dioxide, ozone and hydrogen peroxide.

The cells, which last for five years, produce up to 60 litres of solution per hour, which is capable of treating up to 60,000 litres per hour of contaminated water.

Worldwide Water Technologies: UK, tel (0)1923 777663; fax (0)1923 896066.

Four-wheel drive wheelchair

Wheelchair users who miss their country pursuits should benefit from a small off-road vehicle which can tackle almost any terrain, *writes James Buxton.* Scot Track, a small Scottish engineering company which makes eight-wheel drive off-road vehicles for users such as BT and English Nature, has developed a smaller model which it calls a four-wheel drive wheelchair.

The petrol-engined Venturer is controlled by a joystick and has an extendable platform enabling the user to shoot or fish from it. Its low ground pressure, due to its light sheet metal construction and broad tyres, gives it mobility over moorland and bog. The Venturer is made to customer's specifications and costs about £10,000.

Scot Track: UK, tel 01667 455592; fax 01667 455670.

Paul Taylor reports on two trials using competing designs for Britain's superhighway

Let the battle begin

Later this year two consumer interactive television trials will get under way in Britain signalling the start of a battle between cable television network operators and telephone companies to decide who builds the "electronic superhighway" of the future.

The first trial involves Cambridge Cable and Online Media, part of the Acorn Computer group now owned by Olivetti. BT is running the second trial.

They will pit competing technologies against each other in a bid to build interactive systems that will allow people to send as well as receive data via an asymmetric link – enabling large volumes of data to be transmitted to the customer who can send smaller amounte of data, such as instructions to a bank, back.

In addition, the trials should also provide a valuable insight into what interactive services consumers want delivered into their homes. In both trials people will be able to choose from a range of interactive services including video-on-demand, news services, educational programmes, home shopping and banking, and games.

The Cambridge interactive TV trial, which involves 250 subscribers, will test a system built around laying optical fibre to the kerb and then using standard coaxial cable – the type of wire used for television aerials – for the last few metres into the home.

The trial also makes use of a high-speed digital technology called asynchronous transfer mode.

In contrast the BT trial, involving 2,500 people in Colchester and Ipswich, will mainly involve delivering interactive services over the existing "twisted" copper pair telephone lines in the "local loop" – the part of the telephone network which connects the local telephone exchange to individual subscribers' homes.

This is being achieved using asymmetric digital subscriber loop (ASDL) technology developed to enable telephone companies to provide high-bandwidth interactive services such as video-on-demand over the lines.

The different approaches reflect the "legacy" networks being operated by the cable TV and telephone operators, and the need to move towards broadband capable of delivering a wide range of multimedia services.

For most cable television network operators, the primary choice is between the fibre-to-kerb approach or the rival fibre-to-neighbourhood system. This rival approach, adopted by most cable companies in the US and some American telephone companies, enables network operators to run fibre links to a local distribution point. From there coaxial cable extends to between 150 and 500 customers.

There is probably no one universal "right choice". The choice of network design will depend on a number of factors including the status of any existing network, the services strategy of the network operator, the cost of installing a new distribution system and the performance level required.

In the Cambridge trial one deciding factor has been the desire to use Online Media's ATM-based set-top television boxes from the outset.

ATM is a fast "packet-switched" technology which allows mixed data of many different kinds – voice, images or full motion video – to be sent on request across a fibre optic cable in "packets", or bundles, each of which has a fixed length.

The use of these data packets makes an ATM very efficient and flexible – lots of packets are sent for video but just a few to carry text or sound. The small size of the packets makes them easy to switch at very high speed.

Most independent industry observers predict ATM will emerge as the main carrier technology for broadband services.

ATM enables the Cambridge trial to provide a two-way digital link capable of transporting compressed video and other data at a minimum rate of 2 megabytes per second – the minimum required to provide domestic VHS-quality video.

Gary Whiting, project manager for the Cambridge trial, says they are now experimenting with data rates of 8MBps and eventually expect to reach the 25MBps rate.

But reaching a minimum data rate of 2MBps is critical for any interactive network. Until the arrival of asymmetric digital subscriber loop technology, it was this factor which appeared to give the cable networks an important edge over the telephone companies.

However, a BT technical trial established that ADSL technology was "robust" and had a wider than expected range of about 6km and could be used effectively on 92 per cent of BT's network.

Overall BT concluded that ADSL was a "viable technical solution to the problem of delivering high-bandwidth asymmetrical services".

As a result BT is pressing ahead with the Colchester and Ipswich trials which involve 2,000 subscribers using an ADSL network over standard copper lines and a further 500 supplied with services over an end-to-end fibre-link.

Gary Whiting and other advocates of the fibre/ATM approach remain aceptical about ADSL's capabilities and the high cost per house of the modem-like connectors needed at each end of an ADSL line.

However, if consumer ADSL trials in Britain and the US prove successful the technology could provide the telephone companiee with an important "stepping stone" ahead of deploying a full fibre network.

Ray Smith, Bell Atlantic's chief executive, has conceded that ADSL is a "transition" technology.

He told Wired magazine recently that it was useful for market entry but that when enough people in a neighbourhood signed up for interactive services "then you bring fibre to them".

The key issue is cost and the likely returns on investment. BT has estimated that it would cost £15bn to take fibre to the majority of UK population, rising to £20bn to reach the most remote parts of the country.

Before they spend that kind of money the telephone companies want a better picture of the likely demand for interactive services – and that is what the upcoming consumer trials should help give.

Hitachi's two into one

Hitachi Digital Systems has unveiled a new series of mainframes using combined chip technology. The Skyline series is faster than its predecessors and uses 70 per cent less power.

Most mainframe computer manufacturers have moved away from traditional bipolar devices to low-power and low-cost complementary metal oxide semiconductors (CMOS), similar to those used in personal computers.

The Japanese group claims a "breakthrough" for its semiconductor technology which combinas the advsntages of bipolar emitter-coupled logic and CMOS designs on a single large-scale integration chip.

According to Hitachi, the new machines operate at twice the speed of current mainframe products while occupying less than half the floor space. The design of the chips also means customers will be able to take advantage of the significantly improved performance without changing their software.

Hitachi believes the Skyline series provides a solution for its customers who want "a cost-effective, non-disruptive growth path for their business and computer applications".

The unveiling of the new machines underlines Hitachi's conviction that the mainframe is "far from dead" and will have a continuing role in large companies, particularly for "mission critical" applications – those which a crucial for the organisation's survival.

Althougb the company acknowledges there is a place for distributed client-server computing in large companies, it adds that the hardware and software technology needed to implement it "is still evolving" and does not yet provide a stable platform.

Hitachi claims its customers continue to need powerful machines capable of coping with the computing requirements of whole organisations.

Paul Taylor

CONTRACTS & TENDERS

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MANAGEMENT: THE GROWING BUSINESS

Own label blockbuster looks to Europe

Richard Gourlay finds Sanmex is gaining market share in a potentially massive budget products industry

An own label toiletry company which started selling disinfectants to Glasgow's flea-pit cinemas in 1932 and now has sales of £15m is an unlikely partner for giant European discounters such as Aldi, Netto and Lidl. Nor would such a company be expected to be exporting as much as a fifth of its sales to Europe or selling fly spray to China.

But Sanmex International is emerging from relative obscurity in the run-down outskirts of Glasgow to become a rapidly growing supplier of own-label toiletries and household products to discounters and supermarkets.

It anticipates sales of about £17m ($27.2m) next year, a significant jump from £5.5m in 1989. It is gaining market share in the own label market, dominated in the UK by Manchester-based Robert McBride. And Allan Groden, the founder's son and chairman, is considering a partial flotation on the London Stock Exchange's Alternative Investment Market, due to open its doors in June, to finance a more rapid expansion as manufacturing capacity is constraining further growth.

Many companies' fortunes are transformed when a new management takes over. It is more unusual for an incumbent management to perform the trick after a long period of unspectacular growth.

"I always knew the company had to change, it was a question of how and when," says 58-year-old Groden. "We were a typical family company with myself running it and being involved in every last detail. It was no way to go into the 1990s."

Claro Arron

Allan Groden: 'More marketing driven where before we were sales driven, and the opportunities started to open up'

After taking advice from PA Consultants, he decided nothing less than radical change would enable him to build value for the next generation. "I did not see much future for the company progressing as it was," says Groden.

The company invested £3m in equipment over two years – when sales were barely double that – relying partly on soft loans from the EU and regional development grants. Bottling lines were upgraded and the company invested in information technology to improve quality control, order taking and inventory control. Groden also started introducing a professional management team.

The changes enabled Sanmex to respond to one of the most fundamental structural changes in the UK grocery retail trade of the last decade – the opening by Aldi of the first discount store in 1990.

The German group has since opened more than 120 stores. Sanmex has grown with it, claiming to be the largest supplier of household products to Aldi in the UK. Groden says that while Robert McBride focused on supplying the supermarket chains with own label products, Sanmex paid more attention to Aldi and then other discounters such as Netto of Denmark.

Foreign discounters have opened more than 200 outlets in the UK, according to retail analysts Corporate Intelligence Group. And the number looks set to accelerate. Lidl of Germany, which has opened 20 UK stores since last November, took only three years to become the largest discounter in France and is threatening to expand at an electric pace in the UK as well.

"The real change came when Aldi came into the UK market," says Norman Ferguson, sales and marketing director at Sanmex and a graduate from the Procter & Gamble and Scottish Pride school of fast-moving consumer goods marketing. "We worked very closely to build their business and as the other discounters came we focused on them."

Sanmex spends nothing on advertising. Instead it works closely with its customers' buyers on design and says it can take a new product from conception to the shelves in a month.

The company's export policy is more eccentric and reactive, though it plans to hire an export manager. It sells fly spray to China, and a range of products to Iceland and seven islands in the Caribbean, almost all as a result of approaches made to the company. But the export market could provide the next boost to sales volume – and increase the need to raise external capital to further expand production facilities. Because the UK has become an efficient and low-cost producer of own label household goods, some continental companies are considering sourcing some of their lines in the UK.

Were Aldi, for example, to take that path, Sanmex might gain access to a market with not 120 outlets as it has in the UK, but more than 3,000 in Germany alone.

Sanmex will meet stiff competition in the export markets of Europe. Apart from the continental manufacturers responding to the rapid growth of the own label market, Robert McBride is unlikely to stand idly by. It already has a strong European presence. And later this year it is likely to use some of the proceeds of its expected flotation to raise money for further expansion.

Groden accepts expansion will require additional capital. He is now taking advice on whether to opt for the partial flotation.

MANAGEMENT: MARKETING AND ADVERTISING

Robert Rice examines why companies are rushing to apply for trademarks following a change in UK law

Big boost for branding

What do Coca-Cola bottles, the Direct Line Insurance red telephone on wheels and a Dimple Haig whisky bottle have in common?

The answer is that they have all been among the first applications for trademark registration to have been made following a change in UK law last year. The new law allows three-dimensional shapes, sounds and smells to be registered as trademarks for the first time.

The 1994 Trade Marks Act was designed to bring UK law into line with Europe, simplify the application process for domestic and international registration and extend the protection afforded to trademarks by widening the definition of trademark infringement.

More than 800 applications were filed with the Trade Marks Registry on October 31, the day the act came into force and the pace has hardly slackened since. The Registry reports that in November, December and January applications were up 65 per cent on the same period in 1993-94. If the trend continues, the Registry expects to receive more than 50,000 applications this year compared with 36,000 last year.

There have been some interesting applications for registration of shapes, smells and sounds excluded under the old law, such as Nestlé's application to register the shape of the Polo mint, Sumitomo Rubber Industries' application for tyres smelling of roses, the shape of the Morgan car and the Financial Times' application for pink paper carrying printed matter.

However, according to Alison Brimelow, assistant registrar of trademarks, although the surge in trademark applications dates back to the introduction of the new legislation, not all of it can be attributed to the relaxation of the rules.

Of the 16,386 applications received between October 31 and the end of March, only 365 fell into the category of marks which could not be registered under the old regime.

Her preliminary conclusion is that publicity surrounding the introduction of the new regime has rekindled interest in trademarks as a cheap and effective means of protecting brands.

By creating a presumption thet all marks can be registered, simplifying the application process for both domestic and international registration and extending the definition of infringement, the legislation has made trademark registration more attractive to industry.

Even so, why should companies bother to register their marks when they can protect them by auing companies which misuse their unregistered trade names, logos or packaging for passing off or infringement of copyright or design right?

According to Caroline Davies, head of trademarks at ICI, the answer is that it is much cheaper and easier to bring a trademark infringement action than an action for passing off. There is no need to prove established goodwill or misrepresentation by the other trader. The registry estimates the new law will save British business up to £60m a year.

ICI, she says, registers trademarks as a matter of policy wherever it can. Not only is it a cheap form of protecting intellectual property – the group deals with all its applications in house, so the only direct cost is the £225 registration fee for each trademark – ICI frequently builds a whole marketing strategy for a product around a trademark.

"Advertising is expensive so you want to be sure the mark is protected before yoo spend money on a campaign," she says.

ICI has about 15,000 registered trademarks ranging from such things as Perspex and Propafilm, the film covering which goes around the outside of such things as cigarette packets, to the most famous of all its marks, the ICI logo itself. Zeneca, the demerged pharmaceutical group, has almost twice as many registered trademarks as ICI, so there is a big commitment to the system by both groups.

But ICI has yet to make much use of the new legislation to register new shapes, smells or sounds. The paints division has renewed a previously unsuccessful application to register "an image of an Old English Sheepdog of any age and viewed from any angle" for its Dulux paints range. Several applications to register paint colours have also been made since October, hut otherwise the group has taken little advantage of the change.

The general feeling, says Davies, is that the new legislation has not been in force very long and caution is called for until it becomes clear how the trademarks registry is going to interpret it. It will be early 1996, for example, before most of the new applications know whether they have been accepted for registration.

This feeling is echoed by Stephen Groom, head of the marketing services law group at the London law firm Lewis Silkin. Clients are aware of the new freedom to register packaging and names, he says, but are adopting a cautious approach until they feel confident about how the new law will work in practice.

One of the early areas of concern, where there is considerable uncertainty, is over the use of comparative advertising. Several companies have already taken advantage of a change in the law which allows a company to use a competitors' trademark in its advertising provided the use is in accordance with honest commercial practices and does not take unfair advantage of or cause any detriment to the distinctive character or reputation of the registered trademark concerned.

Burger King, the fast food chain, has recently produced an advertising campaign which claims that McDonald's burgers are smaller than theirs. Under the old law the use of the McDonald's name would have been an infringement of its rival's trademark. Burger King argues its use is factually correct and it is a fair comparison to draw. McDonald's declines to comment and is yet to make any complaint.

Similarly, Colgate is using the Listerine trademark in an advertising campaign to point out that its Colgate Plax mouthwash is approved by the British Dental Assocation whereas Listerine is approved by a dragon named Clifford. Listerine has complained to the Advertising Standards Authority but has not sought an injunction to stop Colgate using its mark or hrought infringement proceedings under the new law.

Groom says there is now an urgent need for court guidance on what amounts to fair and unfair use of another's trademark. Until this and other uncertainties have been ironed out, business will reserve judgment on the new regime. Early signs are, however, that it will provide the boost for hranding which its originators promised.

A question of good timing

Richard Donkin looks at Tag Heuer's sports sponsorship strategy

Tag Heuer Challenge

Measuring the impact of a *sponsorship* deal is a notoriously imprecise science. Gerald Sezille, marketing and sponsorship director of Tag Hener, the Sandi-owned, French-run and Swiss-based precision watchmaker, gently pats his stomach. "There are all kinds of measures and we use them, but often it comes down to gut feeling," he says.

Sports sponsorship is an integral part of a marketing strategy that has taken Tag Hener in seven years from a struggling quality watchmaker undermined by Japanese competition to the fifth-largest Swiss watch manufacturer in terms of turnover, showing SFr340m (£189m) in the last calendar year.

The company's marketing hudget this year is $75m (£50m). Of this, $45m goes on advertising, $15m on sponsorship and $15m on varions marketing and sales programmes.

Tag Hener's policy is that sponsorship activities must closely reflect brand valnes. "We manufacture precision time pieces, therefore all our sponsorship and advertising must have relevance to the prodnct. Timed sports events, where a split second is vital to the result, are ideal for this purpose," says Sezille.

Hener was already steeped in sports timing before the Tag takeover in 1985. It was the official timekeeper for three Olympic games in the 1920s and later moved into Formula One motor racing, time-keeping for the Ferrari team during the 1970s.

Today it still sponsors Formula One and some skiiing events, hut this year, for the first time, a big slice of the company's sports sponsorship hudget has been committed to the America's Cup, one of the world's premier yachting events, sponsoring one of the two New Zealand entries competing to sail against the best US team in May.

Early rounds completed, The Tag Hener yacht, skippered hy Chris Dickson, reached the semi-finals of the Louis Vuitton Cup (it is the Louis Vuitton winner that goes on to contest the America's Cup) but was knocked ont hy its New Zealand rival.

Choosing the competitor, says Sezille, is one of the most crucial elements of the deal. Instead of looking at submitted sponsorship requests, Sezille went straight to Dickson, who is well known in tha sailing world for his ontspoken views and competitive approach.

Another important factor in the sponsorship decision was the designer, Bruce Farr, known as one of the best racing yacht builders in the business.

All the competing yachts are light, finely engineered, racing shells. The Tag Heuer yacht is so slender that it cuts through the water like a razor hlade with sails. There was some risk attached to backing such an experimental design. "After all it wouldn't look too good for our 'don't crack under pressure' campaign if the boat was to do just thet," says Sezille.

Last month the yacht oneAustralia hroke apart and sank during a race. Unlike the Australian team, Tag Heuer has one boat. In the end the decision came down to faith in Dickson's management and Farr's design.

Tag Hener says it will have footed about $9m of the more than $10m team budget, which breaks down as follows: Yacht construction, $2.5m; yacht design, research, tank testing, $1.5m; staff, management, housing, food, travel, insurance, $1.5m; sails, $1.5m; appendages (keels, rudders), $1.5m; basecamp (sail loft, shipping, boat support, maintenance, tender, fuel, supplies), $1m; spars (masts, hooms, poles, rigging), $750,000; administration, $250,000.

The organisers have strict rules forbidding boats from using the name of sponsors. To overcome this, Sezille and Dickson did not name the yacht and referred to the entry as the Tag Heuer Challenge. Journalists tended to refer to the boat as Tag Heuer because there was another New Zealand team entry.

Although the yacht was knocked out, Tag Hener is satisfied with the benefits of the association. Sezille says he would have been disappointed had the yacht been knocked out in the initial round robins. A loss there would not have been considered a sponsorship success. Reaching the semi-finals was a success, he says. "Making the final would have been very good, winning the Louis Vuitton Cup and then the America's Cup itself would have been even better."

The cup, the big prize, is the sponsor's ultimate goal, says Sezille. "If you reach that stage the promotion takes care of itself."

Cinema/Nigel Andrews

Dysfunction down under

There is something magnificent about the title of *Once Were Worriors*. With its main noun lopped off, it stands there in the syntactical desert, vast and trunkless, like the legs of Ozymandias.

Who were warriors? Well, the Maoris were: according to Lee Tamahori's film and Riwia Brown's script, based on a novel by Alan Duff. But like its title, this thrilling New Zealand movie thrives on hewing the expected into atrange shapes.

ONCE WERE WARRIORS
Lee Tamahori

MURIEL'S WEDDING
P.J. Hogan

POETIC JUSTICE
John Singleton

Early glimpses of our dysfunctioning family of urbanised Maoris, living in Auckland's equivalent of Toxteth or Brixton, suggest we are in for two hours of Ken Loach in Kiwi-land. Brutal Dad (Temuera Morrison) sloshes back beer with his mates – a tattooed army in black singlets and leather trousers – when not hitting out at ravaged, defiant Mum (Rena Owen). And the children find different ways to distance the horror. Thirteen-year-old Grace (Mamaengaroa Kerr-Bell) keeps a diary and befriends a homeless boy living under a flyover. Older son Nig (Julian Arahunga) joins a gang. Delinquent Boogie (Tuangaroa Emile) gets carted off to a reform school where – as a fringe benefit – he is taught basic Maori warrior traditions.

With the sight of a spear-wielding social worker schooling his protégés in the rudiments of chanting, tongue-poking and bottom-shaking (so familiar to our own dear Queen on her royal tours), the film moves from docudrama into a higher realm of ethno-social comedy.

Then, back home *chez* Beth and Jake, it climbs higher still. If there has been a more terrifying, hyper-real picture of a disintegrating family, I should like to see it. Beatings; a rape; finally a suicide. Where in another film we might cry "Too much of this!", or giggle nervously at the excess, here we sit gasping at the emotional power and conviction of the scenes.

We do not even need to agree with film-maker Tamahori's apparent didactic agenda. Right from the trick opening – a panorama of lake and mountains revealed as a billboard from which we pan to the filthy, fume-filled highway – the film is telling where we can put our notions of "progress." Better, it says, to turn round and re-invoke our ancient traditions. Yet Jake's brutality seems the result of too little progress, not too much. His tattoos (here a scorpion on the neck, there a ring of barbed wire around the biceps) are a hangover from yesterday's tribal primitivism, just like his hard-punching patriarchal attitude to his women.

Thankfully, the film's dramatic momentum overpowers its message-mongering attempts. So does Rena Owen's performance as principal human punchball. Her features tell us what she is going through – a universal domestic hell – even before we see it demonstrated. The draggled hair looks like a mass suicide dive; the complexion is pale and dry like stripped beef; the eyes are on sleep-deprived red alert. This is a Mother Courage with no phony triumphalism. She fights back because the only alternative is to be beaten senseless.

The film ends with a dubiously inspirational coda, in which our heroine plus surviving children returns to her ancestral roots. Cameraman Stuart Dryhurgh, of *The Piano*, pulls out the lens-filter marked "pastoral-elegiac" and we are asked to gaze into the happy sunset.

But before this surrender to ethno-utopianism, the single shot we most remember is that of a speeding gang car overtaking a police car. Filmed from in front, with distorting lens and low angle, the gang's gallivanting jalopy (complete with shrunken head as bonnet ornament) seems like a juggernaut from the past offering one last Parthian insult to the present. "Once were warriors" ... Still trying to be warriors ... May finally give up in time to join the 21st century.

★

It is a week for manic self-examination in the Antipodes. *Muriel's Wedding* from Australia is a black comedy with large patches of dayglo pink and leopard-spotted yellow. In a little seaside town, we watch the heroine's suburban fantasies grow to the size of psychosis.

She is Muriel (Toni Collette), plump, unpopular and living in Porpoise Spit. She swoons over Abba songs; quarrels with her Dad, a local bigwig (Bill Hunter); steals a *faux*-leopard dress for a wedding; and after catching the bride's bouquet at those same nuptials longs for the day – in accordance with flower-catching superstition – when she too will be spliced.

The audience has to catch the bouquet of ensuing subplots. There is the girlfriend who becomes wheelchaired with cancer (Rachel Griffiths); the mother who swallows too many aspirins; the South African swimmer who wants to marry Muriel for his nationalisation papers. All this is filmed in a giddy alternation between soap opera naturalism and what we might call "psycho-farce." Someone had certainly better call it something, for the fast-growing movie mode is now virulent down under: see *Heavenly Creatures*, *Dallas Doll*, *Priscilla Queen Of The Desert*.

Psycho-farce is the use of comical exaggeration, in acting, decor and colour photography, simultaneously to satirise a society and to evoke a visionary-barmy state of mind. It is Expressionism gone ludic.

Debut writer-director P.J. Hogan lays on the high-gloss colours as if taking his cue from Muriel's own fantasy photo album. This specialises in lurid holiday snaps and pictures of our heroine festooned in lacy-white. Her habit, after leaving home to live in Sydney with Rhonda, is to try on wedding dresses in shops while Rhonda takes her photo. The snaps, she tells the assistants, are for her ailing Mum.

Even the film's sob-story dimension – Rhonda's illness – is poised between the realistic and the ridiculous. Are we *meant* to sniffle into our handkerchiefs as mad Muriel stiffens her soul to become martyr/nursemaid? Or is it Hogan's way of saying that once you decide to live in fantasyland everything becomes a dialectic between Abba songs and Hollywood melodrama?

Whether you think *Muriel's Wedding* is a good or bad movie may depend on which layer of intentionality you think it actually stops at. My suspicion is that it got stuck, albeit enjoyably, between dimensions: that somewhere along the way parodic intent stopped and the real emotional fairy tale took over.

★

John Singleton's dismaying *Poetic Justice* suggests that we reviewers who thought *Boys N The Hood* the most overrated product of the New Black Cinema can now go to the top of class.

Singer Janet Jackson plays the hairdressing heroine from South Central Los Angeles who falls for a young postman, joins him on a drive up the coast to Oakland and has some love quarrels on the way. That is about it: except for the Maya Angelou poems on the soundtrack and the chunks of uncooked philosophising about what-it-is-to-be-black. Torpid; interminable.

Urbanised Maoris: Temuera Morrison and Rena Owen in Lee Tamahori's hyper-real picture of a disintegrating family, 'Once Were Warriors'

Ballet/Clement Crisp

'La Fille' in Flanders

La Fille mal gardée has been a happy ballet since its creation in Bordeaux in 1789. It was given what must surely be its happiest incarnation by Sir Frederick Ashton in a sunny masterpiece – pastoral, lyrical, comical – which we first saw at Covent Garden in 1961. Other versions have come and unlamentedly gone over the years: Ashton's, by reason if its radiant dances and its acute sense of theatre, is one of the century's abiding dance-joys. From cockcrow and the dancing chickens to the last whisking exit of Lise and Colas, and Alain's return for his umbrella, we grin and are content.

But there are alternative stagings of *Fille*, among them that by the French choreographer Joseph Lazzini. I reported on this when it was mounted at the Paris Opéra a decade ago, and Lazzini has now made a production for the Royal Ballet of Flanders, which I saw in Brussels at the weekend.

To Ashton-educated eyes, this is not a happy affair – empty display replaces feeling; drama is sketchy – but it is redeemed by the verve with which the Flanders' dancers nip through every scene. The choreography has a somehow old-fashioned air, rather like the ballets I saw in the French provinces too many years ago, with lines of merry peasants husily stepping and smiling and forming neat patterns behind the ballerina. (And her partner, who in those days might be one of the tougher ladies of the troupe *en travesti*).

This lends charm of a sort to the staging, but not much credibility to the narrative. For *Fille* is, at heart, a touching tale about a girl's right to marry for love. Like a Molière comedy, it masks serious matters under its smile, hut to cheat on its central truth is to cheat its interpreters, and Lazzini's version offers little to its players except steps.

The Flanders' cast rejoiced in the steps and gave them a vivacity that blew the dust off every predictability. The Lise was a young Cuban dancer, Xiomara Reyes, who is a delight. She is very pretty, with a more than pretty technique – light, clear, musical, and bnoyant enough to soar through difficulties with a most engaging air of enjoying every minute. She does what she can for the drama hy being herself, and we believe. Her beloved, Colas, was Rinat Imaev, Russian-trained, and able to give the farmer a suitably innocent manner.

The additional pleasure of the performance I saw was Pascal Molat as the ninnyish suitor Nicaise (known to us as Alain). The character may be simple-minded, but Molat's dancing was mercurial, hright-edged and hounding, and I ended up thinking that Lise might perhaps have listened to her mother when such a good dancer was on offer. Some of the other roles relied too much upon low comedy cepers – none lower than a comic servant who should have been put to fire and the sword long ago.

The Flanders ensemble looked, as ever, strong and assured, their dancing stylish: everything they do pays tribute to fine schooling. The score, a conflation of the two traditional *Fille* scores hy Hertel and Hérold, has been admirably arranged by Jean-Michel Damase, and is as pretty as the old ballet deserves. Design is hy Roger Bernard, with bold costuming and (because of the exigencies of the Brussels' Cirque Royal stage) skeletal design, which looked more Ideal Home than country life.

The Royal Ballet of Flanders tours Fille throughout Belgium this month, and visits Northampton's Derngate Theatre for the week of May 23.

Mercurial, bright-edged and bounding: Pascal Molat as Alain

Concerts/David Murray

Mahler twice over

Michael Tilson Thomas completed his Mahler cycle with the London Symphony on Sunday: the Eighth Symphony, the "Symphony of a Thousand" – stupid label! – with some *hundreds* of orchestral players and choristers in the Royal Albert Hall. Why not the greater Ninth (placed earlier in the timetable), or indeed the torso of the unfinished Tenth?

Cynics might say: becanse tha Eighth is a guaranteed feel-good success, given a decent team of soloists (Tilson Thomas assembled an excellent team). I should put it differently: T.T. is an extremely intelligent musician who knows very well what he does best, which includes "public" music like the Eighth and most of Mahler's earlier symphonies, but not – not quite, not yet – darker, more tortuously personal stuff like the Ninth or the Sixth.

In any case, he made a blazing success of the Eighth. This was a precision-engineered performance, and it was thrilling to hear. The LSO, its Chorus (much enlarged for the occasion) and the Southend Boys' Choir sounded magnificent. T.T.'s masterly command of the score ensured that even the sprawling second movement, a setting of the final scene of Goethe's *Faust* Part II, described a clean, unbroken trajectory and rose to a great height.

Led by the stalwart American soprano Alessandra Marc, the solo singers were assured and tireless. Lynda Russell sang Mater Gloriosa from high up in the gods – a happy idea, of a piece with the clever lighting that made the assembly of performers look so imposing. All in all, it was a glorious conclusion for T.T.'s Mahler cycle.

Given the composer's unprecedented popularity these days, there has been room in the concert season for some competing Mahler performances. Last week Roger Norrington, not hitherto known for his Mahler, conducted a quite different Fourth Symphony with the London Philharmonic in the Festival Hall. No attempt whatever at sophisticated *Viennoiserie*; instead he took the symphony at face valne, as a child's-eye vision of angelic bliss.

The dances in the first two movements were perky and innocent, only briefly shadowed by the single sour eruption in the one and the sinister, cloying fiddle solo (tuned a semitone high) in the other. Until the Poco adagio, it was Mahler's woodwind-writing – intricate, companionable, pastoral – that seemed to carry the main burden. Norrington kept his strings down to bare audibility, or allowed a leash to just one section at a time.

The symphony was *disarmingly* crowned by Amanda Roocroft in the quaint child's-heaven finale. For most of it she scaled her soprano down to a light, boyish treble, but she tapped her *new-found* mature resources in the verses that needed them. That was seamlessly accomplished, suggesting depths beneath a twinkling surface, and perfectly adapted to Norrington's seemingly plain, unfussy reading of the whole work.

Theatre/Sarah Hemming

'Vanya' with an Irish lilt

Field Day's production of *Uncle Vanya* starts well. Astrov and Nanny taking tea, managed that tricky Chekhov exposition – "how long have I known you?" – beautifully, making it sound utterly natural and helping you believe that you are just eavesdropping on lives that carry on after you have turned your back.

This is one of the great strengths of Peter Gill's staging: it has a natural ease that is very important, helped by Frank McGuinness's splendid translation, that combined sensitivity with easy Irish colloquialisms. Bnt, despite this, and despite the fact that there is much that is good about it, the production (on tour to the Tricycle) falls short of the greatness it could achieve.

Chekhov's autumnal masterpiece deals with wasted life, lives misspent and hopeless love. These poignant scenes are summed up, of course, in the character of Vanya, tha middle aged man who is brought face to face with the futility of his life during the course of the play.

But nearly everyone on stage is living in the shadow of what they might have done. The retired professor who comes to visit is a fake, while his beautiful, indolent young wife, idolised by both Vanya and Astrov, has thrown herself away. And, in one of his master strokes, Chekhov not only portrays people living through the results of missed opportunities, he also shows us one such moment happen, as Sonya's hopes of marrying Astrov wither before us.

But the play is also marvellously, richly ambivalent. Its title is not "Vanya", hut "Uncle Vanya", reminding us that central to it is the difference between Vanya's hitter reaction to his disappointment, and the stoical one of his niece Sonya. Whose response is more valid? And has he wasted his life? Chekhov reminds us how we waste our time fretting over "if only's".

It is difficult to do justice to all the play's layers, as it is to capture

The production is very funny and often moving, but you are not in tears at the end

the surge and ebh of the tragedy, and they remain muscled in this production. Stephen Rea is marvellously funny as Vanya in sarcastic mode, jabbing his hands into his cardigan pockets, growling, glowering and loping round the stage, and he hrings off the slump from acid self-pity into total dejection and self-loathing when he sees the doctor kiss Elena. But he loses something towards the end.

His "mad" scene, when he boils over at the professor's ham-fisted suggestion of selling the estate, is wildly effective – hilarious hut scary, charged with the same recognisable hysteria as a Basil Fawlty outburst. But he continues at this pitch in his desperate appeal to the doctor in the final scene, where he could achieve so much more with quiet desolation. Several key scenes lose something by being played on one level in this production.

Meanwhile, the play's shape and movement is not helped by Hayden Griffin's heavy wooden set. It is imposing and claustrophobic, but you get little sense of the huge, crumhling estate outside, nor of the autumnal weather which, with its oppressive heat and sudden storms, mirrors the character's surging feelings.

Individual performances are very good. Enda Oates' visionary Astrov is driven and energetic: you believe in his enthusiasm, his integrity and his frustration. Zara Turner is lovely as Sonya, and to watch her blossom and fade before you is painfully moving. Kim Thomson is exquisite as Elena, with a creamy Madonna face, silken voice and luxuriant auburn hair – utterly convincing as the sort of woman who attracts adoration. And Halena Carroll is so warm and sensible as the old nanny, that you feel she really has sat on the stage for the last 90 years.

There is much to enjoy in this production: it is very funny and often moving, but – you are not in tears at the end of it. Like Vanya's pistol shots, it falls just wide of the bull's eye.

Continues until April 29 at the Tricycle Theatre London NW6 (0171-328 1000).

Alastair Muir

Kim Thomson and Stephen Rea as Elena and Vanya

Survival in the shrinking office

BOOK REVIEW

One very simple theme runs throughout this book, partly captured by its sub-title. The autbor, a Nobel Prize-winning physicist, is the head of AT&T Bell Laboratories, one of the world's great centres of applied science. He believes that manufacturing has undergone a transformation in recent decades, hut that office activities have not. White-collar work is about to undergo the same profound changes.

"Today millions of well-dressed, desk-hound humans still earn a living," says Penzias, "by 'running errands' between machines – getting a fax, marking it up, typing a draft, making copies, filing some, routing others – just to keep the information moving."

Not only is this inherently wasteful, it contributes to a much more dangerous inefficiency: it makes organisations internally-focused, directing their energies away from the customer towards the smooth operation of internal processes. "Every minute a customer representative spends meeting with people in her own company reduces the amount of time available for customer contact," Penzias says.

Inwardly-focused organisations place a higher priority on resolving internal conflicts than on meeting real customer needs. Thus, a traditional computer company that decides to enter, say, the workstation business will typically spend too much of its time resolving conflicts between the new potential market and existing product lines such as mainframes, mini-computers, PCs and so on – time that could be better spent meeting customers' needs.

Well-managed companies have beeo aware of this trap for decades, of course. Indeed, you could argue that the companies that have survived through to the 1990s have done so, in part, because they have been able to manage the conflict between internal and external priorities better than their rivals. Penzias's case, bowever, is that the amount of human time and effort that needs to be spent on internal co-ordination is shrinking spectacularly.

HARMONY:
Business, Technology and Life after Paperwork
By Arno Penzias
HarperCollins, New York, $23

Survival will go to those companies which realise this. Instead of using layers of white-collar workers to handle the intermediate steps between customers' desires and satisfaction, sucb companies will use inter-connecting computer systems to give customers direct information access.

There may not he much high-tech computer wizardry in this: the skill lies in recognising which areas of work can be replaced hy direct connection with the customer. Bank clerks can be replaced with cash machines. Chain-stores' order-processing departments can be replaced by linking the tills directly with the suppliers. The engineering team usually necessary to customise sophisticated telepbone-answering systems can be replaced by a program on a salesman's laptop computer.

And so on. "Thongh to my knowledge no compnter has yet managed to replicate the performance of a single office worker," says Penzias, "the right combination of computing and communications can frequently replace whole departments."

Along these lines, Penzias offers a few more penetrating thoughts. The best husiness opportunities may lie in the gaps between today's products and services, and at the periphery of what is currently available. The best new corporate structure may be that of an architectural practice. And "as technology puts unprecedented power into human hands, *knowing what to do* becomes the paramount element of competitive advantage."

This is not one of those huge, unreadable tomes that recent business publishing has foisted upon us. It is written in a clear, lively style that crams several tomes-worth of insights into its opening chapters. Unfortunately, the book is 10 chapters long, and it runs out of insights well before the end.

Part of that is because of the book's main title, Harmony. Penzias argues that the age of quantity, first replaced by the age of quality, is now in be replaced by tbe age of harmony. Harmony itself, with suspicious neatness, has three aspects: technology must be in barmony with itself, with buman beings and with the environment.

The "harmony with itself" argument is the case for systems integration – for eliminating the gaps between computers that are currently filled by humans. The other two harmony shortages are the technological equivalents of motherhood and apple pie: to see their beguiling shallowness, simply imagine tha alternative.

Penzias offers a number of ways in which information technology can help resolve environmental and social problems. Turning the researcb resources of the US defence industry into a giant electronic university is perhaps the most appealing. It is also easy to take pleasure in the suggestion that people will wear "several microphones, located at various places on the body," together with a video-camera attached to the spectacles-frame (quite how this will work for normally sighted people is not explained).

These will all be linked to the user's home computer, allowing it to store information, then play it back through a radio-linked earpiece at subsequent meetings. Penzias rejoices at the social gains: "What a hoost for 'nerdy' techies who can't rememher names and faces!"

It is, perhaps, unfair to judge a collection of future scenarios on the basis of its most far-fetched claims. And it is prohahly inevitable that a book with such ambitious aims should fail to accomplish the task of providing a new paradigm for every aspect of 21st century human existence. It is enough, perbaps, for it to offer some powerful insights into how companies must cope with life after paperwork. On that narrower ground, Penzias succeeds with style and flair – and merciful hrevity.

Peter Martin

ECONOMIC VIEWPOINT

Rival yardsticks for the dollar

By Samuel Brittan

How weak is the US dollar? This may be a surprising question to ask when the dollar has fallen 16 per cent against the yen since the beginning of the year and 7 per cent against the D-Mark. These falls come on top of more long drawn-out declines over the past five years.

They are also far bigger than would be expected from the movement in the purchasing power of these key currencies. At the beginning of this year, before the present currency shakeout, international estimates suggested that German labour costs had advanced by 25 per cent relative to the US when measured in dollars, and that Japanese labour costs shot np more than 50 per cent. Thus the D-Mark and the yen seem far too high, or the dollar far too low.

Yat these by now familiar facts represent only one sida of the picture. The official exchange rate index for the dollar suggests only a modest downward drift over the past five years. Even this index does not take full account of the growing role of emerging markets, which now account for some 30 per cent of US trade. The dollar has rocketed against these countries, above all againat neighhours, including Canada as well as Mexico.

The second chart includes a "world" index for the dollar estimated by James Capel. This suggests that the dollar has remained pretty firm and has if anything drifted slightly upwards in the last few months. A similar picture is painted hy an index drawn up hy the Dallas Federal Reserve.

The worldwide indices have their critics who say that the indices have heen artificially boosted by the extreme undervaluation of the Mexican peso and of other Latin American and Asian currencies that have been pulled down with it. Once these currencies rebound it will he seen that the dollar really has fallen.

Even on this modified view, the genuine fall in the dollar only started this year. There are analysts who believe that a real dollar depreciation is necessary to belp reduce the US current payments deficit or even to convert it into a surplus to offset the declining popularity of the US currency as a reserve asset.

The upshot is that all three of the world's key currencies may be overvalued, but some more than others and no one has any idea of the size of correction required. There is no alternative to leaving the sorting out to the market. The best the central banks could do would be to act as stabilising speculators, buying when they think currencies have fallen below trend and selling when above trend. The test of their action would be whether their operations were profitable.

The key currency countries seem to go through phases. They begin with strong domestic economies and current balance of payment surpluses. But as foreign funds are attracted their exchange rates appreciate and they begin to run current deficits. Eventually overseas holders become worried either because of these deficits or from an independent desire to diversify their holdings. To offset the resulting capital outflows the ageing key currency countries have to move towards a current payments surplus.

Meanwhile, the underlying US current balance of payments deficit reflects an excess of domestic investment over savings amounting to some 2 per cant of Gross Domestic Product. The US is not going to increase its savings, whether by fiscal reform or any other means, simply because overseas governments, or even domestic think tanks, lecture it on the need to do so.

Nature has its own remedy. If overseas holders really do worry about the balance of payments deficit, the real exchange rate for the dollar will sink, and eventually US interest rates will rise to incorporate a devaluation discount. Higher interest rates will discourage domestic investment and perhaps boost savings until the gap disappears. All that the US anthorities can determine is how far the exchange rate adjustment is accompanied hy a nominal depreciation of the dollar, with some inflationary impact, and how far it takes the form of a lower rate of inflation than that of trading partners.

Meanwhile, the true super-competitive currencies tbat have emerged are those of the smaller economies surrounding the main international players, such as Italy, Spain, and the countries caught up in the Mexican slipstream. These countries might be called "Mediterranean-Caribbean".

Key currency countries can afford to run considerable payments deficits to the extent that overseas residents are prepared to accumulate holdings. The drawhack is that their exporters report that their products are "uncompetitive"; and, because of lurches from one key currency into another, the degree of uncompetitiveness varies rapidly and unpredictably.

The advantages and drawbacks of the Mediterranean-Caribbean currencies are a mirror image. Their goods tend to be highly competitive. But their terms of trade are unfavourable. There is also always a danger of a downward cycle of depreciation and inflation, and in extreme cases of a destruction of their financial systems.

There are of course many other kinds of currency, among them the strong satellite currencies such as the Dutch guilder or Austrian schilling, which are not international currencies hut move with the D-Mark. There are the small strong currencies such as the Argentine peso or Czech crown which tend to become over-valued. There are also the fossil key currencies, above all sterling, which have lost most of their old role but still display some of the symptoms.

The relation of each key currency to the smaller currencies in its periphary is becoming more urgent. Neither the violent downward plunges of the Mediterranean-Caribbean currencies nor the overvaluation of their key currency neighbours does anyone much good. The only lasting cure will be the adoption of the key currencies for use over much wider areas – leaving the local currencies for perhaps a residue of small retail transactions.

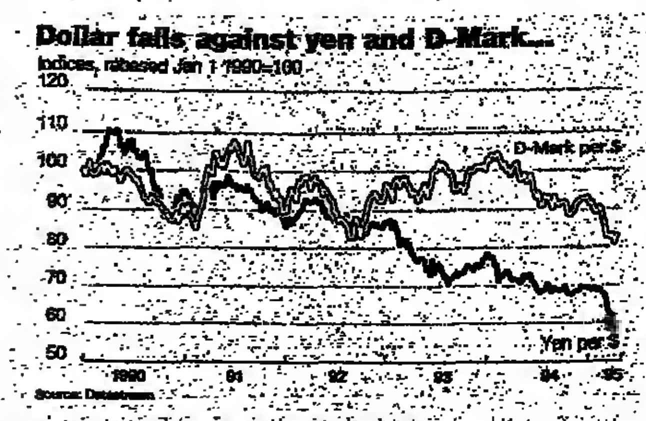
To take an actual example, the Mexicans act to reduce imports on the basia of all the worthy international advice they are receiving. One effect is to reduce US exports and thus worsen the US payments deficit, thus creating more alarm about the dollar. If the US then follows advice to tighten its own financial policies, Mexican exports will fall and its balance of payments weaken further.

It was to prevant sucb a self-defeating cycle that international economists during the recovery period after the second world war estahlished "theorems" saying that import restrictions which discriminated against strong currrency countries needed to be less severe than across the broad curbs.

Talk of discriminatory import restrictions in today's world would be playing with fire. The same effects could be achieved if Mexico had the same currency as the US and no one even knew how much either country was importing from the other.

Establishing a supposedly naw currency, to avoid an explicit takeover by the D-Mark, is the Maastricht European approach. But it is not the only one. An alternative, more in vogue in tha US periphery, is the dollarisation of neighbouring economies. This can take the form of a currency board, which can only issue domestic money against dollar holdings. But it can also result from the drift to using the US dollar more for domestic purposes.

Such absorption of small unstable local currencies hy the key ones may now be a benign form of imperialism. It may also be an essential prelude to constructive diplomacy between tbe key currency countries themselves.



How currencies have fallen against the yen

Approximate % drop in 1995:

D-Mark	7.3
French franc	8.4
Peseta	11.8
Sterling	14.5
Canadian dollar	14.8
Swedish krona	15.0
US dollar	16.1
Lira	21.1

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed m +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Poor offer of insurance

From Mr Aidan Walsh.

Sir, I sympathise with Mr Roy Jenkins (Letters, April 3) who hemoans the lack of Europe-wide car insurance. However, the problem seems to be caused only by narrow-minded legislation in the UK and Irish Republic.

My wife and I drive high-performance cars. Yet our standard comprehensive cover includes any driver, in any country within the widest definition of Europe.

I investigated the possibility of insuring with a company which operates in Ireland, including the Irish company that is part of the group from which I purchase insurance in Austria. I was informed that, first, I must take up residence in Ireland, then the cover would exclude young and old drivers, and I would have to name those middle-aged people who might drive my car. The premium would also be very much higher than I now pay.

Having to pre-name drivers seems particularly anti-social. Were I to have such a policy and then dine out rather more well than wisely, my insurance policy would preclude my asking a friend or neighbour to drive me home. It is not clear to me what the insurers gain from this.

Have we not yet progressed to a understanding that the motor vehicle has long ceased to be restricted by national boundaries?

Aidan Walsh,
Am Modenapark 7/2,
A-1030 Vienna, Austria

Concession on works councils

From Mr Zygmunt Tyskiewicz.

Sir, Companies reading Robert Taylor's interesting question and answer guide to European works councils (Management: "Entering into a new dimension", April 10), sbould do so with a degree of cantion since it contains inaccuracies and misleading assertions.

This is particularly so as regards the section dealing with the so-called "Article 13 agreement", by which the obligation of the directive shall not apply to companies where "there is an agreement, covering the entire work force, providing for the transnational information and consultation of employees".

Robert Taylor makes it sound as if such agreements should be negotiated principally with national or European trade unions. Article 13 says no such thing. He then goes on to suggest that, after September 22 1996, a special negotiating body could seek creation of a European works council, even if another body (created under Article 13) already exists. That is not what the directive says and, if it were, then Article 13 would become completely pointless.

As repeatedly stated by commissioner Padraig Flynn, the directive is now designed to ensure that the suhsidiary requirements need never be applied. Instead, companies are offered the Article 13 procedure which allows them to set up; in agreement with their own employees, information and consultation systems tailor-made to their specific requirements and adapted to their existing consultation arrangements.

That wise concession for which Unice [tbe pan-European employers' federation] fought so hard, must be well understood and preserved.

Zygmunt Tyskiewicz,
secretary-general,
Unice,
rue Joseph 11, 40
B-1040 Brussels, Belgium

Identity card a retrograde step for UK

From Mrs Gwyneth Dunwoody, MP.

Sir, Joe Rogaly's article "Playing the identity card" (April 8/9) struck a real chord. The only way the common frontiers of the EU could be made to work would he if everyone carried "papers" as in France. That would be a frightfully retrograde step.

Gwyneth Dunwoody,
House of Commons,
London SW1A 0AA, UK

From Ms Karen Toseland.

Sir, The most convincing argument against identity cards, and not mentioned by Joe Rogaly, is discussed by Michael Spencer in his book *1992 and all that – Civil Liberties in the Balance*. He quotes what the data protection registrar said at the time of the debate on the national card identity bill introduced by Mr Ralph Howell MP in 1989.

"The act of presenting a national identity card offers the opportunity not only to determine that this individual may be who he says he is hut to record information about him. This opportunity is enhanced if, as seems likely, the card is designed to be machine-readable. Any information on the card can be recorded together with information on the whereabouts of an individual and the circumstances in which the card is used.

"In order to administer and control the issne of national identity cards, it would seem necessary to form a population register which could record the movement, from address to address, of all the individuals in the United Kingdom."

The registrar concluded:

"The introduction of national identity cards and national identity numbers would mark a significant atep along the path to the comprehensive recording and automatic processing of information about individuals. It is a step with potentially serious privacy implications for all United Kingdom citizens. From a privacy and data protection viewpoint the arguments suggest that the step should not be taken." I agree.

Karen Toseland,
14 Moel Famau View,
Riverside Drive,
Liverpool L17 7ET, UK

Economic policy not a matter of economics but of politics

From Dr James Ball.

Sir, If Mr Fahrizio Galimberti, writing from Australia (Letters, April 7), fails to see the logic of Robert Chote's conclusion (Economics Notebook, April 4), he is either ohtuse or too far away from his homeland. Of course there are regional differences within a national economy and differences between regions: as say Lombardia and Abruzzi and Cheshire and Gwent.

But the bigger difference is that national regions can talk to each other, not only literally but culturally. Economic policy is not a matter of economics but of politics. The UK went through a period of significant change and severe disruption in the 1980s. Yet riots and strikes did not affect the basic nature of things: the Northumherland miner's daughter may be working for a City bank while the Manchester joiner's son has his own business a few hundred yards away.

These aspect of a nation state are important – in Modena or Malvern – because of the nature of parliamentary democracy. Mr Galimberti may speak English and I may speak Italian. But we are respectively Italian and British and each carries with us a weight of cultural baggage which true Europeans should recognise. I was born in England of English and Irish parents, taught Latin as a child and educated in England, Greece and Italy: yet I am still lectured by Edward Heath (about as fluent a European speaker as he is in English) who was rightly ridiculed by Ian Robinson in his book *The Survival of English* (it did not survive Sir Edward Heath's treatment of it).

Mr Galimberti concludes his letter with a memory of the high-level of debate in the late 1960s. Perhaps he thinks that Mr Chote's photograph (please change – he looks rather too worried about his 11-plus) demonstrates your correspondent's youth and that Chote has no idea of that far-away decade. Both of them should read or re-read tha speeches of that period: Mr Galimberti may discover what nonsense it was, although Mr Chote may not forgive me for wasting his time.

James Ball,
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FINANCIAL TIMES
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Thursday April 13 1995

Behind the bid for Chrysler

Underpinning Kirk Kerkorian's approach to Chrysler is a dispute about how much capital American industry needs.

In the car business, says Chrysler, the answer is: lots. It is competing in a cyclical industry with a relentless thirst for cash for new models and sales rebates (that is, price-cuts). It has only just got its balance sheet back into shape: for the first time in 40 years it has no unfunded pension liabilities. And only four years ago it was on the verge of running out of cash for the second time in a decade. Evidence enough, it believes, that its grudging disbursement of cash to shareholders – it had to be prodded by Mr Kerkorian into raising its dividend last year – is prudent rather than miserly.

That is not the way Mr Kerkorian sees it. In the early 1990s, when Chrysler was on its knees, he bought his first stake in the company at just over $10 a share. Since then, the company has recovered from imminent extinction to become the most profitable mainstream car producer in tha world. Yet its shares hava languished: they were less than $40 (£25) each before Mr Kerkorian's announcement yesterday, only four times 1994 earnings.

It is hard not to sympathise with his desire to push the price higher. In part, of course, his dispute is with the stock market, which refuses to give Chrysler – or US carmakers in general – the valuation that recent performance might seem to deserve.

But in part it implies a criticism of Chrysler's management, which could do more, he believes, to ensure that the company's product market success is reflected in financial market valuation. Any company with $7.5bn in liquid assets, e balance sheet far stronger than its main rivals, and sharply higher capital expenditure in prospect has scope, on this view, for decisive action to raise its share price.

The problem with this argument is not that it implies the stock market is wrong in valuing Chrysler so cheaply: markets make mistakes, after all. Nor is the mooted purchase of Chrysler so very implausible, given the company's cash and the possibility of attracting an overseas partner. Depending on how much the cash pile was run down, and whether there was, indeed, an overseas investor, Mr Kerkorian seems justified in claiming this would not be a "highly leveraged transaction".

The problem is more that the argument is reminiscent of those used to support the rush towards leverage of the 1980s. Then, academics and investment bankers argued that the world was becoming an inherently less risky environment for business, justifying higher levels of debt.

Chrysler's management believes a strong balance sheet is needed to avoid repeating past near-collapses. Mr Kerkorian appears to differ. By announcing an unfinanced, unprepared non-bid, he has brought the issue out into the open. But he has much further to go before he can claim victory in the intellectual struggle, let alone the financial one.

EU social realism

The European Commission'a social action programme for the next three years represents an important change in the direction of European Union social policy towards greater realism. The change has been driven by pressure from many European employers concerned about competitiveness and cost burdens on business, and by high unemployment and budget deficits. The upshot is that there is now much less enthusiasm for the legal imposition of minimum labour standards on all member states.

The future emphasis of social policy will be on ways of stimulating economic growth. In the words of the programme, a "new balance" has to be struck between what is economically necessary and what is socially desirable. This change may not be enough to satisfy Mr Michael Portillo, the UK's employment secretary. But what is proposed is far removed in content and spirit from the agenda of social regulation pursued over the past five years by the Commission.

Mr Padraig Flynn, the EU social affairs commissioner responsible for the rather verbose plan, says he wants to encourage debate between employers and trade unions over a wide range of social issues such as training, protection of vulnerable groups of employees, and equal opportunities. Voluntary agreements will be the preferred way forward in future, as opposed to the imposition of new laws.

For many employers, Mr Flynn's proposals will come as a relief. It is true there is still some unfinished business from the first social action programme to be implemented fully. Directives on working hours, rights for workars posted to work in another country, and part-time employment have yet to be fully resolved. Others – most notably the transfer of undertakings directive – may continue to create difficulties for member states, while future judgments from the European Court of Justice may also arouse disquiet among the business community.

But Mr Flynn will win strong support from employers for his determination to focus on ways of reducing unemployment through the introduction of measures designed to lift cost burdens.

His document specifically mentions the efforts of the recently created working group chaired by Mr Bertolt Molitor, a former German government economic adviser, to scrutinise the efficiency and clarity of axisting directives in order to ensure they do not hinder competitiveness.

This does not mean the European Commission is ready to embrace the whole of the so-called Anglo-American labour market model, with its emphasis on deregulation and flexibility. Nor are countries like Germany and France going to start dismantling their social protections. But Mr Flynn's modest plans suggest that a welcome convergence is developing insida the European Union in the controversial area of social policy.

Benefit doubts

The new Incapacity Benefit for the long-term sick and disabled which comes into force today ought to do more to reduce benefit spending in the UK than any reform of recent memory. The principle of tha new benefit is sound. But the practical consequences are another matter.

Failure to rein in the cost of invalidity benefit, which has more than doubled in real terms since the mid 1980s, would have made a mockery of the government's claim to be serious about controlling public spending. Well over 1.5m people are now claiming invalidity benefit, up from 700,000 in 1983. No-one doubts that a part of the rise comes from relatively fit individuals opting for early retirement, rather than a lengthy period on the dole. Often they have done so with the encouragement of both their personal doctors, and local employment offices. By imposing a universal, more objective, test of a person's incapacity for work, the new system ought to mean that everyone receiving the new benefit truly deserves it. As it stands, however, the reform has important flaws.

The first is its unfairness. Like the new Jobseeker's Allowance for the unemployed, which will come into force next year, the new incapacity benefit will not merely impose the stick of tougher eligibility requirements for recipients. It will also mean lower benefits for those who successfully pass the test. Part of the fall in income can be defended, in the case of the incapacity benefits, since it will come simply from including the new benefit as taxable income. But recipients will also have to live on the lower, short-term benefit for a full year before receiving the maximum support, rather than the previous six months.

People without means who have shown themselves to be involuntarily dependent on the state because of illness or disability ought to be able to expect relatively generous treatment at the hands of the benefit system. If the government had faith in the toughness of the new medical test, it should have deemed the modest net incomes of the remaining recipients an unworthy target for further savings.

Different problems will arise with regard to the treatment of the extra 325,000 people who will fail the new test over the next three years. The department has made an effort to prepare employment offices for the influx of about 95,000 additional unemployment benefit claimants over the next two years.

But inconsistencies in the way that different benefits eligibility criteria are applied are likely to mean many, highly publicised, individual complaints, a good many of them justified. A more gradual, and equitable reform would have reduced these dangers. Clearly, the government is gambling that high early savings will make up for the political costs involved. But on the worst case, it may also have condemned itself to a re-run of the early horrors of the Child Support Agency.

Opening a $20bn market to international companies will not be an easy process, says **Mark Nicholson**

Indian summer for telecoms

This month will see the conclusion of one of the biggest and most complex rounds of bidding in the history of the telecommunications industry.

By the end of April, consortia comprised of international and local companies must submit bids to provide basic and cellular telephone services for India, where the population is 900m, the economy is growing and demand for telephone lines far outstrips supply.

India had little choice but to open its telecoms sector to private and foreign investment; the government does not have enough money to provide even a rudimentary nationwide service, let alone modernise the system and expand capacity.

Tenders were issued in January for provision of services to 20 so-called "circles" – roughly corresponding to India's states – for a bid round the government hopes will lead to a multi-billion dollar improvement of the telephone network. There is no doubt about the opportunities presented by the opening of the Indian market. When bidding closes, the envelopes will contain offerings from consortia which include such groups as British Telecommunications, Singapore Telecom, AT&T of the US, Nippon Telegraph and Telephone of Japan, France Telecom, Telstra of Australia and others.

"Companies like BT have just got to be in emerging markets like this where there is every prospect of a long-term payback," says Mr Ken Wells, BT's field manager in India.

But the complexity of the bidding process leaves it unclear whether India's ambitious attempt to find a private-sector solution to its telecoms needs will deliver either the service the government wants or the sort of returns international telecoms operators require.

The deadline has already been postponed by a month while the government replied to hundreds of queries from potential bidders on issues such as the interconnectivity of public and private networks, the intended regulatory regime, revenue sharing and tariffs.

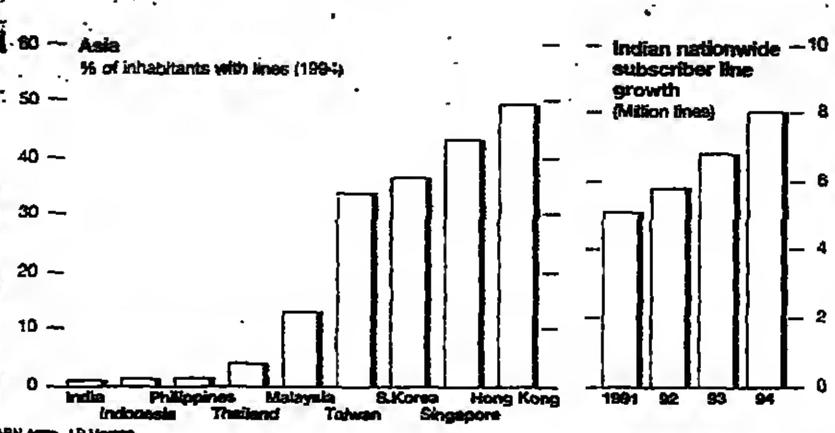
"There are still a lot of imponderables," says one western trade attaché. "A lot of money is involved and the margins are going to be very tight. Lots of companies are going in headlong and hoping they can change the rules afterwards."

The headlong rush is understandable. With just one line for every 100 inhabitants India has one of the world's lowest telephone penetration levels, compared with an average in all developing countries of five lines per 100 people, while the everage for the Organisation for Economic Co-operation and Development countries is 47.5 lines per 100 people. Only a quarter of India's 600,000 villages have even a public telephone, while applicants in the cities have to wait about two years for a line. "Just to keep up with other developing countries we would need between 50m and 60m new lines – an investment of about $75bn," says Mr RK Takkar, India's telecoms secretary.

Indian telecoms: opportunities down the line

Average annual revenues per direct exchange line

1993-94	Rupees
Delhi	[illegible]
Karnataka	10,944
Andhra Pradesh	[illegible]
Maharashtra	10,104
Punjab	10,020
Tamil Nadu	9,924
Gujarat	[illegible]
Rajasthan	8,808
Bihar	8,472
Northeast	8,472
Utter Pradesh	8,316
Orissa	9,184
Assam	8,028
Kerala	7,932
West Bengal	7,668
Haryana	7,248
Madhya Pradesh	7,212
Jammu & Kashmir	6,408
Himachal Pradesh	5,664



Sources: Dept of Telecommunications, ABN Amro, J.P.Morgan

Estimates vary of the investment needed for even India's more modest immediate ambitions. Mr David Alan Cole, telecoms specialist with ABN-Amro Bank, reckons it would cost $20bn over the next five years to meet the government target, announced last year, of a telephone "on demand" in urban areas and installation of one line to each phoneless village – a total of perhaps 10m new lines.

But India, with several states as big and populous as some European countries, is considered too vast for any single operator to tackle alone, or even with two or three partners. Hence the structure of the bid round, which seems designed to share the market among several big operators. The broad rules are clear enough. The government requires international telecoms companies to combine with big Indian industrial companies to mount a bid. A 15-year operating licence in each "circle" should be awarded to the highest bidder – but there is a weighting system, for which the criteria have yet to be clarified, linked to commitments to rural services and new technology.

Foreign companies must be proven operators of basic or cellphone networks and are limited to a 49 per cent stake in a bidding entity. Consortia can bid for as many circles as they wish, but foreign groups can tie up with only one Indian partner for cellular bids and one for basic services.

But these rules and the scale of investment have created headaches. "The paradox is that you need to bid for six or seven circles to be sure of winning two or three," says Mr Ashish Paul, projects manager for Telstra. "But if you actually win six or seven, what do you do? How do you finance that?"

Choosing a good Indian partner is another challenge. The principal Indian companies tend to have strong regional bases, implying strength in bids for some circles and weaknesses in others. BT, for instance, has lined up with Mahindra and Mahindra, an industrial group strong in the wealthy state of Maharashtra, while Telstra is with Southern Petrochemical Industries Corporation, which is well-established in southern states. But this raises the question of what happens if consortia win states where they have little local presence, and thus lack the influence which might be critical in dealing with state governments.

Preparation of bids for specific circles is also fraught with imponderables. Few telecoms executives doubt that India – as a whole and in the long term – will eventually provide a profitable market for private operators. But the viability of the market in each state over the relatively short life of a 15-year licence is another matter. Even simple estimates of demand are difficult. "There is a lack of data available, things like realistic numbers for the gross domestic product of eacb state – it's incomplete," says Mr Iain Johnston, a telecoms analyst with JP Morgan in Hong Koug. "People are taking a stab at how many TVs there are in a given area and calculating demand for telephones from that – nobody knows."

Prices for telepbone services in India are also low by world standards, and private operators will be pegged to present levels. They are also supposed to be limited to providing local services, witb long-distance and international calls – the moneyspinners in the rest of world – remaining a state monopoly. Telecoms executives are unanimous in wanting this to change, and the government has already said it will review its monopoly on long-distance services after five years.

There are further concerns. Few bidders are happy with the transparency or independence of the regulatory regime. The Indian department of telecommunications recently announced plans to split its functions into three arms: a services provider, a policymaking body and a three-person regulatory authority.

But many bidders say this leaves the public-sector provider – their competitor – uncomfortably close to the tariff-setting regulator. And while tbere is no doubt that there will be plenty of bids, it is not certain there will be bids for all 20 circles.

Tbe few consortia which bave declared their bands – BT says it is aiming for Maharashtra and Telstra is going for some of tbe southern circles – bave set their sights on the ricber states. They are betting that strong business demand in relatively prosperous areas will more than compensate for the obligation to provide costly, and probably loss-making, rural telepbone services.

Prospects for poorer states are less promising, although Mr Takkar says be expects bids for every circle. But operators and analysts believe the bids will focus oo the wealthier circles, which would not only leave some circles without private investors but also deprive tbe state telecom company of revenues it now uses to cross-subsidise its services in the poorer, rural states. Mr Paul of Telstra expects bids will cluster aromd only about half of the 20 circles.

The problem is not just that winning bidders will face difficulties with regulators and bureaucrats in their efforts to make a profit; India's vision of using foreign and private capital to improve telecoms throughout the country ts also likely to be left incomplete.

US shadow over London law firms

John Mason and **Robert Rice** on the impact of the criminal charges facing a top City lawyer

London's legal community is perplexed and uneasy.

Mr Robert Morgenthau, the New York district attorney, last week charged Mr David Sandy, a partner with a top City law firm, with suppressing evidence to prevent its being seen by US investigators probing the fraud at the Bank of Credit and Commerce International.

Mr Morgenthau, who has headed prosecutions in the US over the collapsed bank, did not stop thare. Four other partners with the firm – Simmons & Simmons – are among those accused of conspiring with Mr Sandy to tamper with evidence.

The US prosecutor's moves have triggered deep unease in London's commercial legal establishment, which has been shaken by the spectacle of one of its own facing serious criminal charges.

Not surprisingly, City lawyera have been anxious to play down the long-term effects the affair will have on the reputation of City law firms. "I am not surprised they have gone after him," said one. "We have come to expect that from the Americans. But it is a one-off."

Mr Sandy has been charged with three offences of suppressing evidence. The charges relate to his role as legal adviser to BCCI's majority shareholders, including the Abu Dhabi royal family and the Abu Dhabi finance department.

The core allegation is that ha and others tampered with computer hardware and software that contained the business diary of Mr Zafar Iqbal, the scting chief executive of BCCI before its collapse.

The lengthy indictment details how Mr Sandy and others allegedly wiped computer discs, sabotaged a computer to prevent access to its hard drive and attempted to conceal print-outs of the diary.

Although it is alleged that six others were involved in the conspiracy, only Mr Sandy has been charged by the New York authorities.

Mr Sandy flew to New York on Tuesday formally to deny the charges. He is not disputing what happened, but insists no criminality was involved and says he was merely acting legitimately in his client's interesis. Simmons & Simmons has refused to comment on the affair, leaving it to Mr Rusty Wing, Mr Sandy's US lawyer, to field inquiries. According to Mr Wing, the deletion of information from compnter discs was for "legitimate purposes". The prosecution is a "novel, untested and unprecedented application of New York law", he says.

Mr Sandy was released on bail until April 21. Any trial is expected to be many months away. But it is by no means certain that there will be one. It is widely believed the US authorities regard the case as a suitable one to attempt to negotiate a plea-bargain to secure a conviction on a less serious charge.

In the meantime, Simmons & Simmons is left in an uncomfortable position. Although not among the elite, Simmons is firmly established as one of the top 10 UK commercial law firms. It has 118 partners and 450 lawyers and, according to estimates by Legal Business magazine, had a turnover of £72m in the 1993-94 financial year, with average profits per partner of £225,000.'

What effect the affair will have on Simmons is not easy to predict. Examples of other firms of its size and standing finding themselves in this sort of predicament are rare.

In 1986 Mr Anthony Salz, a corporate finance partner at City solicitors Freshfields, came under the spotlight over his role as legal adviser to Guinness during the drinks company's takeover of Distillers. Although he was a member of the Guinness "war cabinet", be was never charged.

The only other leading law firm to find itself in a similar position to that of Simmons in recent years is Travers Smith Braithwaite, whose partner Alan Keat was charged with conspiracy to defraud in the 1991 Blue Arrow fraud trial. The case against Mr Keat was thrown out by the trial judge half way through the year-long trial, but by that stage the firm had been under a clond for almost two years.

Lawyers at Travers Smith are reluctant to talk about tbe experience, save to say that tbe sense of injustice within the firm about Mr Keat's treatment brought tbem closer together. Outwardly, clients were supportive. But privately some lawyers at the firm admit they can never be sure exactly what impact the affair had on their business.

Lawyers at other firms say Travers inevitably missed out on work it would otherwise have expected to get. "The suspicion is that something like that does more damage than you realise," said one.

The main talking point in City legal circles is the apparent lack of a motive for Mr Sandy's alleged actions. "It sounds an incredible tale," said one. "Why would you deliberately hide something which you would inevitably have to give up at some stage? The whole thing is implausible."

Whatever the outcome, the affair looks certain to highlight the stark differeoces in culture and attitudes between the legal establishments on opposite sides of the Atlantic.

OBSERVER

Polish rout for VE Day

■ Britain's foreign secretary, Douglas Hurd, encountered some heavy shrapnel yesterday in Warsaw. He was visiting UK policemen teaching their Polish counterparts how to recognise e money laundry when they see one.

Hurd was a bystander at a row concerning where Poland's bigwigs plan to be on the 50th anniversary of VE Day, commemorating the end of the second world war in Europe. President Lech Walesa has said he won't be going anywhere, after Chancellor Helmut Kohl made it abundantly clear he only wanted Americans, British, French and Russians in Berlin for its VE Day; no Poles, thanks.

But before saying he was staying put, Walesa forgot he had already accepted an invitation to go to London for its VE Day. At a meeting with Walesa yesterday, Hurd learned that the president will indeed not be going to London. Instead, Poland will be represented by Wladyslaw Bartoszewski, foreign minister, who was in the Polish resistance during the war.

Meanwhile, Walesa has also made it clear he doesn't want prime minister Jozef Oleksy attending President Boris Yeltsin's celebrations in Moscow. Oleksy late yesterday said he will, nonetheless, go. Walesa's spokesman, Leszek Spalinski, acidly commented that's all that could be expected from a former communist who was so used to going to Moscow in the past, he couldn't shake the habit.

Maybe Warsaw's politicians should call a truce first – then sort out where to celebrate the peace.

Easter fare

■ How are you spending Good Friday? In keeping with the Philippines' devout Roman Catholic tradition, five super-pious churchgoers – including, possibly, two Belgians – will be nailed to the cross in Pampanga, north of Manila. This is standard stuff, happens every year.

Probably better to follow the example of President Fidel Ramos, a Protestant with no history of guilt or masochistic tendencies. He plans to have a medical check over Easter, and urges his countrymen to follow suit. Observer is sticking to hot cross buns.

Home sweet home

■ Never mind derivatives – Swiss banks are still struggling to master mortgage lending. That at least appears to be the sardonic view of the Swiss Federal Banking Commission.

The commission's vice-president Jean-Pierre Ghelfi pointed out yesterday that the amounts the banks have lost in recent years in futures and options are "only a fraction" of what they have lost in mortgage lending, "an area one would have thought was perfectly mastered by bankers".

Kurt Hauri, executive director, chimed in, noting that the Commission last year pushed the bankers' association into developing directives for assessing the value of mortgaged loans. "I must say that it is discouraging to have to legislate in such an elementary area," be said.

Waltzing Werner

■ Edzard Reuter bade the press a disappointingly tame farewell at his appearance during Daimler-Benz's traditional pre-results bash in Stuttgart on Wednesday night. He ran through his record, bragged mildly about setting up the world's biggest and most important transport technology group, and then disappeared.

All in all, a pretty poor show from a man who has been known to bite back, when poodle-like members of the German business media have forgotten their lapdog role and snapped a little too sharply at his heels.

His successor, Jürgen Schrempp, rose to the occasion. He appeared quite overcome by the moment. Reuter had long before slipped eway when Schrempp was seized by the desire to dance e celebratory foxtrot with Helmut Werner, the boss of the group's only profitable part, Mercedes.

The handsome Werner, once a rival for Reuter's office, was less than charmed and was obliged to demonstrate his muscle-power as he struggled to evade the Schremppian grasp.

Suggestions from onlookers that Werner was prepared to dance only if he could lead, were considered undignified by the unhappy couple's press-minders.

Hot and spicy

■ If this one gets around we'll all be in trouble. Jimmy Lai, the quirky Hong Kong businessman who is launching a Chinese-language newspaper (to be called Apple Daily), has recruited pizza delivery boys as reporters.

"We feel that with the worsening traffic jams, pizza delivery boys know how to arrive et the spot the fastest... the details can be chased by other reporters," says Lai.

I'll have a Neapolitana feature with extra garlic, with e stock prices choc-flavoured supplement to follow. And some rooting-around beer.

Clunker, USA

■ So why is Lee Iacocca, the ex-boss of Chrysler, joining forces with Kirk Kerkorian to gobble up Chrysler?

Simple – his name fits the bill: I Am Chairman Of Chrysler Corporation of America.

The Financial Times

100 years ago

Constantinople Railway

The report of Metropolitan Railway of Constantinople from Galatea to Pera Ltd for 1894 states that there was a decrease in the uumber of passengers carried of 295,114, and in the receipts of £1,264, as compared with the traffic of 1893. This falling off is accounted for by the earthquake in July, as well as by the bad weather in the first three months of the year, and the cholera which raged in and around Constantinople nearly the whole of the 12 months.

50 years ago

Road interests favoured

Argentine railway companies have addressed a note to the National Transport Committee condemning the new general transport lew proposals. The companies consider that, should the Bill become law, it would automatically be followed within a short time by the absolute ruin of the companies and the collapse of the railway system in which thousands of millions of pesos are being invested. The railway companies point out that the Bill shows a tendency to favour road transport systems.

FINANCIAL TIMES
Thursday April 13 1995

Basle committee proposes greater flexibility

Banking group suggests self-calculation of risks

By John Gapper, in London

International bank supervisors yesterday proposed that some banks be allowed to use their own computer models to calculate how much capital they must hold against potential losses from financial trading.

The move marks a significant step towards a more flexible style of regulation, as central banks find it more difficult to exert detailed control over banks' activities because of the growing sophistication of financial markets.

Controversy over trading has been heightened recently by the collapse and takeover of Barings, the UK merchant banking group. Barings was brought down by £860m ($1.3bn) of losses allegedly amassed by Mr Nick Leeson, a Singapore-based trader.

The Basle committee of supervisors from the Group of 10 industrialised countries said big banks would be allowed to use trading models to work out how much of their capital was at risk from trading losses on any given day.

The proposal, which could apply to up to 100 of the world's largest banks, is part of an effort to impose minimum capital requirements for the trading of securities, foreign exchange and derivatives (instruments which derive their value from an underlying asset or index) by the end of 1997.

The endorsement of banks' own models, subject to a number of safeguards, is part of a longer-term shift towards supervisors monitoring banks' management and control mechanisms rather than imposing strict limits on their activities.

Mr Tommaso Padoa-Schioppa, chairman of the Basle committee, said the use of models was "an important novelty". But he said supervisors were "not giving banks too much flexibility to calculate the capital charge the way they want".

Smaller banks and those with limited trading activities are likely to calculate their capital requirements using a formula set out by the committee two years ago. This was criticised by large banks for being too crude and inflexible.

Banks already have to allocate minimum levels of capital against their lending activities under the 1988 Basle Accord. They have not had to set aside capital for their rapidly expanding trading activities until now.

Some analysts believe that the move of large banks such as J.P. Morgan, the US bank, away from lending and towards trading on financial markets, has been encouraged by the fact that trading does not consume capital set aside to meet regulations.

Banks using internal models will have to set aside three times the amount of capital they calculate to be at risk. They will also be penalised by having to set aside extra capital if their models fail to predict accurately trading losses.

Basle model for banking safeguards, Page 22

BT and BNL form Italian joint venture

By Alan Cane in London and Robert Graham in Rome

British Telecommunications sealed another link yesterday in its chain of alliances across Europe with a joint venture in business telecoms in Italy, Europe's fourth largest telecoms market.

The alliance with Banca Nazionale del Lavoro, a leading Italian bank, which operates the country's biggest private telecoms network, comes as new partnerships are forming ahead of the full liberalisation of the market in 1998.

BNL and BT said they were forming a new company, Albacom, with the intention of capturing at least 20 per cent of the market for fixed-line business communications, worth some L4,000bn ($2.40bn) a year.

The Italian business communications market has been targeted by other international telecoms companies, including Cable & Wireless of the UK, which recently won a contract to handle the telephone and fax communications of Eni, Italy's state-owned energy and chemicals group.

BNL and BT are committed to investing about £150m ($240m) over the next decade to update BNL's voice and data network. BT will own 50.5 per cent of the new company, with BNL holding the remainder. The chief executive, who has been chosen but whose name has not been disclosed, will be Italian.

France is now the only leading European country in which BT has yet to announce an alliance or joint venture to enable it to take advantage of EU rules forcing the liberalisation of telecoms across Europe after 1998.

The partnership between BT and BNL is expected to intensify the longer-term competition faced by Telecom Italia and its parent company Stet, which are due for full privatisation later this year. The former state monopolies are working to preserve their market share.

Telecom Italia argues that many of the biggest Italian companies, including Benetton and Fiat, have selected it to handle their telecoms services.

Indian summer for telecoms, Page 15
See Lex

$23bn plan to buy out Chrysler

Continued from Page 1

were bought with large amounts of debt.

After the deal, Chrysler would have "at least $5bn" of equity and about $12bn of debt, including the $1.4bn it already owes. At this level, it would be less leveraged than either Ford or General Motors, and not comparable to the biggest buy-outs of the 1980s, Mr Yemenidjian said.

Standard & Poor's, the US rating agency, said if the buy-out was completed it would consider lowering Chrysler's debt rating below investment grade, a level it rose above only last year.

Mr David Healy, an independent analyst, said Chrysler's directors would find it difficult to reject the approach, following the sharp rise in the shares. "It will be very hard for Chrysler's management to put the genie back in the bottle," he said.

Chrysler's shares were trading at $48⅝ at lunchtime, up $9¼ on the day.

Brussels inquiry into Crédit Lyonnais aid

Continued from Page 1

announced in March. A final ruling could take months.

Mr Jean Peyrelevade, the bank's chairman, has warned that if the terms of the package are toughened, the survival of the group could be jeopardised. His comments followed complaints from French politicians and banking competitors that the conditions of the rescue were too lenient.

The inquiry into the controversial bail-out will be a challenge for Mr Karel Van Miert, the competition commissioner, as it is the first into proposed state aid to a bank. His spokesman said yesterday that the announcement of an inquiry was "not a declaration of war", but the Commission needed more information.

"We are talking about a slimming course for Crédit Lyonnais which will have to concentrate on its core banking activity while waiting for privatisation," the spokesman said. The French government intends to privatise the bank, the country's largest, after strengthening its balance sheet.

Under the plan, about FFr135bn of the bank's assets will be hived off into a separate company and eventually sold. This is expected to result in losses of at least FFr50bn, which will be underwritten by the state and, in theory, repaid by future profits and the proceeds of privatisation.

The inquiry will also look at the consequences for competition of a capital injection last year by the French government of FFr4.9bn.

Mr Van Miert has taken advice from banking experts, including three central bankers, and concluded that, while banks are a particularly sensitive area because of the need to protect investor confidence, there is no reason why normal competition rules should not apply.

The Commission stressed that there was no question of Crédit Lyonnais facing bankruptcy.

THE LEX COLUMN

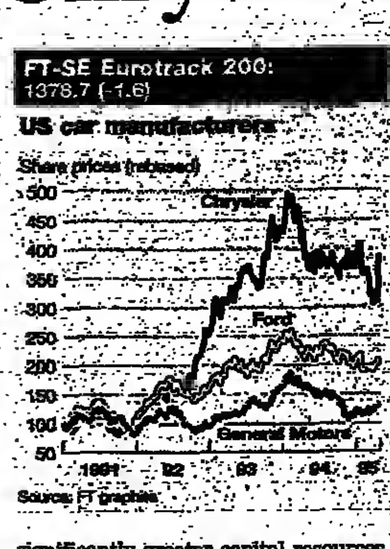
Driving Chrysler into play

Chrysler is not the most obvious target for a takeover attempt: it is well managed and its 11.5 per cent operating margins are the envy of the world automotive industry. Since the company came close to the brink earlier in the decade, management has done an exemplary job of restructuring the group, leaving little scope for any predators to sweat assets further.

The key to Mr Kirk Kerkorian's manoeuvre is the derisory rating accorded to the company's shares. Before yesterday's announcement, the shares traded on a multiple of about four times expected earnings for the current year, implying that Chrysler is once again heading to disaster. But it is only a matter of months since the US automotive market has turned. And such a view also gives no credit to what the management has achieved since the last recession. The rating must have been a serious frustration for Kerkorian, as a large shareholder, but it is also an opportunity.

Despite the vagueness of Kerkorian's financing plans, there is little doubt that a deal would be feasible, given the $7.5bn of cash on Chrysler's balance sheet and the similar amount that it will generate this year. The issue, though, is whether Kerkorian really wants to end up the owner and manager of a large car company. More likely is that he intends to flush out other interested parties by drawing attention to the lowly valuation. This may lead to a full-scale bid for the group from another party, but no doubt Kerkorian would be satisfied with a buyer for just his stake.

FT-SE Eurotrack 200: 1378.7 (-1.6)



Source: FT Graphite

British Telecom

British Telecom deserves credit for the speed with which it is putting together the pieces of its European jigsaw. Yesterday's joint venture with Banca Nazionale del Lavoro in Italy follows similar deals in Germany, Spain and Scandinavia.

BT looks especially agile compared with AT&T and Deutsche Telekom whose respective links with Unisource and Sprint continue to face regulatory hurdles. This will give BT and Concert, its joint-venture with MCI, a short-term advantage in the growing segments of European telecommunications markets already deregulated such as managed network services for multinationals. But it is unlikely to maintain that lead after 1998 when European telephone markets are fully liberalised. After then, the stakes will be raised and BT will have to commit significantly greater capital resources. So far, capital expenditure on building the European operations has been small even if the costs of expansion are already diluting group earnings.

Whether the international strategy proves successful will not become clear until the next century. Meanwhile, domestic issues will remain the main influence on the share price. Following the shares' sharp underperformance since the end of January, they are on a generous prospective yield of 6 per cent – but that fairly reflects the risks of a regulatory crackdown. Moreover forthcoming telecoms privatisations in Europe will provide alternative, attractive investments.

Japanese airlines

Japan's two big airlines, JAL and ANA, are in danger of becoming aeronautical dinosaurs. Although they operate from Asia's biggest domestic market, enjoy low fuel and financing costs, and compete in the world's fastest-growing region for civil aviation, their long-term trajectory looks ever downward.

They have, understandably, suffered from Japan's economic torpor. But the impact of recession has been compounded by domestic deregulation. This has particularly hit ANA, the dominant local carrier, which has reacted by attacking JAL through the expansion of its international network. In theory there should be room for both: international traffic out of Japan is growing fast, as Japanese tourists begin to enjoy package holidays. But revenues are growing more slowly than volumes: cost-conscious consumers are forcing down prices by increasingly picking other low-price Asian carriers or even US operators.

The Japanese airlines have reacted by cutting costs aggressively, as was demonstrated yesterday by JAL's announcement that it is to reduce headquarters staff by a third. Already capital expenditure has been slashed, aircraft deliveries delayed, cabin crew costs reduced, support services contracted out, and stakes in other carriers disposed of. But despite such efforts, the yen's ever-greater strength means that in dollar terms the cost gap between the Japanese and other Asian carriers continues to widen. If present conditions continue, it is difficult to see how Japanese airlines can escape an ever accelerating tail-spin.

RMC

RMC's conservative dividend policy is good news for shareholders. Unlike most of its peers, the company maintained or increased dividends throughout the recession. By keeping dividend cover close to three times in a recovery year, the company has left itself plenty of leeway to reduce cover during a cyclical downturn. Although the 9.5 per cent dividend increase appears paltry in the context of a 59 per cent pick-up in profits last year, total returns have consistently outpaced other UK construction companies. This is because RMC's share price has outperformed the sector by 160 per cent since the start of 1990.

The lesson is that fund managers are capable of taking a long-term view when they have faith in a company's management. In this case, RMC's proven ability to generate strong returns on its investments, without recourse to shareholders for further funds, means shareholders are ready to stomach some stinginess on dividend payments. RMC's £500m investment in its Berlin cement works is a case in point. Shareholders took the investment in their stride, despite the fact that many of RMC's peers have burnt their fingers in the former East Germany. Of course, with 40 years' experience in Germany, the company was better positioned than most.

Yesterday's profit-taking is unlikely to topple RMC from the sector's pole position. Although its profits upsurge relied partly on economic recovery, its premium rating is justified by its exposure to recovering continental Europe and its ability generate cash.

See additional Lex comment on Forte, Page 23

Daimler-Benz to shed further 19,000 jobs

Continued from Page 1

50 per cent slump in world demand for aircraft, to be expected to absorb all the impact of the US currency's decline.

Dasa, which lost DM438m in 1994 after a DM694m deficit the previous year, was likely to break even this year following an expected "drastic" improvement and further job cuts.

Mercedes-Benz, the group's primary source of turnover and profits, which earned DM1.85bn net last year after a deficit of DM1.2bn in 1994, would show a marginally improved result, Mr Reuter said.

Total deliveries of cars had risen by 9 per cent in the first two months of the year, despite a 7 per cent decline in Germany.

Mercedes' sales in the first quarter had risen some 6 per cent to DM16.6bn. AEG and the Debis services arm showed no change, while Dasa had reported a 20 per cent decline to little more than DM2bn.

Negotiations are under way on unspecified further disinvestments at the AEG electrical engineering division.

Mr Reuter, who retires next month and hands over control of Germany's biggest industrial group to Mr Jürgen Schrempp, former head of Dasa, said he was well satisfied with his record. Daimler was on the right path and the conditions for success had been fulfilled, he said.

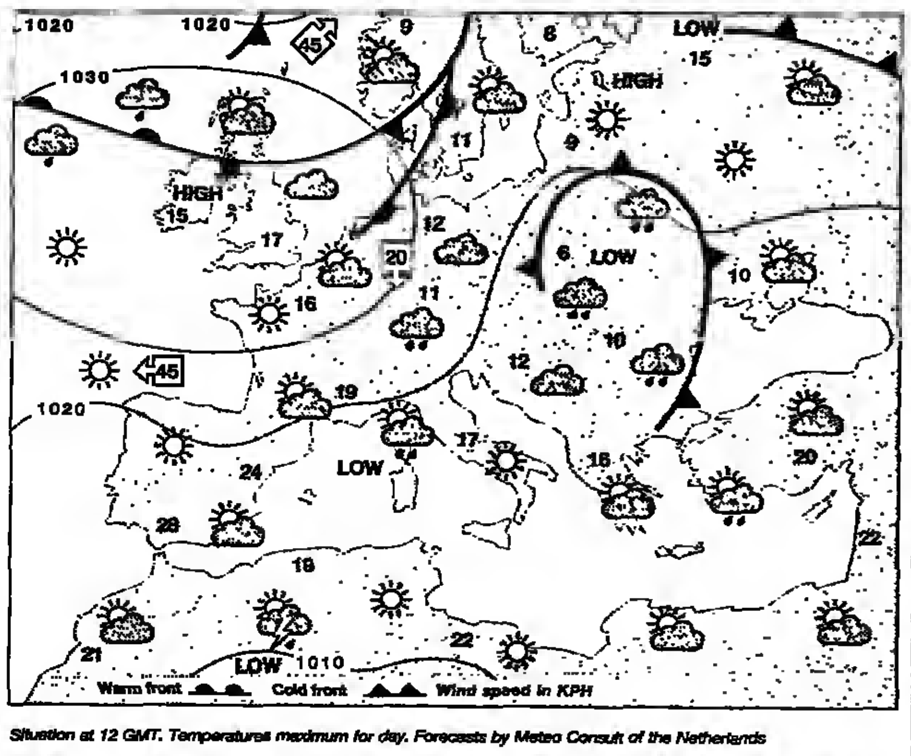
FT WEATHER GUIDE

Europe today

A strong area of high pressure across the UK will keep most of western Europe dry with sunny spells extending from the British Isles towards the Benelux. Western France will have plenty of sun and spring-like temperatures. Spain and Portugal will remain mostly sunny with temperatures as high as 28C across the interior. Low pressure in eastern Poland will produce rainy and cool conditions over the northern Balkans. The area around the Alps will have outbreaks of rain, with snow levels falling to about 1,200 metres. Russia will continue warm with sunny spells. Most of Italy will have a lot of sun and temperatures around 17C but northern regions may have showers. Greece and southern Turkey will have scattered showers.

Five-day forecast

High pressure over the UK is expected to move west, allowing depressions to develop over central and western Europe. Most regions will have showers or rain and temperatures will fall slightly. Only the southern UK will remain dry and there will be sunny spells. The central and eastern Mediterranean will have showers and temperatures around 19C.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	35
Accra	fair	33
Algiers	sun	20
Amsterdam	fair	13
Athens	shower	16
Atlanta	sun	24
B. Aires	sun	23
B.ham	sun	17
Bangkok	fair	36
Barcelona	fair	16
Beijing	fair	22
Belfast	fair	14
Belgrade	cloudy	12
Berlin	fair	11
Bermuda	shower	21
Bogota	shower	21
Bombay	sun	33
Brussels	fair	13
Budapest	rain	8
C.hagen	fair	10
Cairo	fair	26
Cape Town	sun	23
Caracas	fair	29
Cardiff	sun	16
Casablanca	shower	21
Chicago	fair	12
Cologne	fair	14
Dakar	sun	24
Dallas	sun	28
Delhi	sun	36
Dubai	sun	33
Dublin	fair	15
Dubrovnik	fair	15
Edinburgh	fair	14
Faro	fair	22
Frankfurt	cloudy	13
Geneva	fair	15
Gibraltar	sun	18
Glasgow	fair	15
Hamburg	fair	13
Helsinki	fair	8
Hong Kong	cloudy	26
Honolulu	fair	30
Istanbul	fair	14
Jakarta	fair	31
Jersey	sun	14
Karachi	sun	35
Kuwait	fair	32
L. Angeles	fair	26
Las Palmas	shower	21
Lima	cloudy	26
Lisbon	sun	26
London	sun	17
Lux.bourg	fair	13
Lyon	fair	14
Madeira	shower	20
Madrid	sun	26
Majorca	fair	20
Malta	fair	18
Manchester	fair	18
Manila	fair	33
Melbourne	fair	19
Mexico City	sun	26
Miami	fair	29
Milan	shower	16
Montreal	shower	10
Moscow	fair	15
Munich	rain	10
Nairobi	fair	27
Naples	fair	17
Nassau	fair	29
New York	fair	16
Nice	shower	19
Nicosia	shower	20
Oslo	fair	13
Paris	sun	16
Perth	fair	29
Prague	cloudy	10
Rangoon	sun	36
Reykjavik	rain	4
Rio	shower	25
Rome	fair	17
S. Frsco	shower	16
Seoul	shower	20
Singapore	cloudy	33
Stockholm	fair	11
Strasbourg	shower	14
Sydney	fair	21
Tangier	fair	22
Tel Aviv	fair	23
Tokyo	fair	17
Toronto	shower	10
Vancouver	shower	11
Venice	shower	15
Vienna	cloudy	10
Warsaw	rain	8
Washington	fair	21
Wellington	cloudy	17
Winnipeg	fair	10
Zurich	rain	12

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday April 13 1995

IN BRIEF

Volvo sells Alfred Berg to ABN Amro

ABN Amro, the Dutch bank, agreed to buy Alfred Berg, a leading Nordic investment bank, from Volvo of Sweden in a deal worth at least SKr1bn ($136.4m). Page 19

Bull sell-off details imminent
The French government is finalising the first stage of the privatisation of Groupe Bull, the loss-making computer manufacturer, and is expected to announce the operation within the next few days. Page 19

Alcatel may ask Viénot to take control
Mr Marc Viénot, chairman of Société Générale and one of France's most prominent bankers, appears set to take the helm temporarily at Alcatel Alsthom should an appeal court uphold a ban on Mr Pierre Suard, chairman of the industrial group. Page 19

JAL to cut headquarters staff
Japan Airlines (JAL), the country's largest carrier, is to cut staff at its headquarters by one-third, as part of cost-cutting to improve the airline's operating performance. Page 20

Microsoft and Wang reach agreement
Microsoft and Wang Laboratories announced that they have resolved a long-running patent dispute, with Microsoft planning to acquire up to a 10 per cent stake in Wang as part of the settlement agreement. Page 21

Seagram gains belated enthusiasm
Investor sentiment has improved in recent days over the two deals that will transform Seagram, the Canadian drinks company, into an important player in the US entertainment industry. Page 21

Hilton Hotels lifts income 41%
A fifth consecutive quarter of double-digit profits growth in its core division helped Hilton Hotels, the US hotel and gambling group, produce a 41 per cent increase in net income in the three months to March. Page 22

US cable TV group plans $1bn spending
Cox Commimications, the US cable television company, is to spend more than $1bn during the next five years to upgrade its network for cable and telephony services. Page 22

Gehe declares AAH offer 'final'
Gehe, the German pharmaceuticals wholesaler bidding for AAH, increased its bostile offer almost 6 per cent from 420p to 445p a share and declared it final. Page 24

German input buoys RMC
RMC Group, the world's largest concrete producer, increased pre-tax profits by 59 per cent in 1994, helped by another strong performance in Germany and a recovery in the UK. Page 24

Correction
In yesterday's edition, a picture of the Plaza Hotel incorrectly featured a photo of Crown Prince Hassan bin Talal of Jordan in place of Prince Alwaleed bin Talal bin Abdulaziz. We apologise for the error.

Companies in this issue

AAH	24	Holtzbrinck	17
ABN Amro	19	Honda	6
Acer	8	IBM	2
Aero Lloyd	6	Int'l Musto	21
AgipPetroli	18	JAL	20
Airbus	6	Jaguar	6
Alcan Aluminum	18	Kmart	18
Alcatel Alsthom	18	Le Creuset	24
Alfred Berg	19	Macmillan	17
Aluar	7	Matsushita	6
Anheuser-Busch	23, 17	McDonald's	6
Aquamaster-Rauma	24	Mercades-Benz	8
BNL	2, 18	Microsoft	21
BT	2, 18	Nissan Motor	8
Bell Atlantic	2	Oce-van der Grinten	22
Berliner Bank	6	Olivetti	2
Birmingham Steel	21	Pirelli	21
Buckingham	24	Placer Dome	21
CHC Helicopter	8	RMC	24
Cable & Wireless	4	RTZ	24
Chrysler	1	Royal Trust	21
Continental	21	Seagram	21
Corning Fiberglas	21	Smiths Inds	23
Courage	23, 17	Snecma	18
Cox Communications	22	Société Générale	19
Credito Italiano	20	Southwestern Bell	4
Daimler-Benz	1	Sumitomo Metals	21
Ericsson	6	Sun Microsystems	21
Forte	23	Telecom Italia	2
Gehe	24	Telkom	4
George Weston Foods	20	Toyota	8
Générale des Eaux	17	UAL	22
Groupe Bull	19	Unisource	17
Guinness	8	Vickers	24
Heineken	21	Volvo	19
Hilton Hotels	22	Wang	21

Market Statistics

Annual reports service	28-29	FT-SE Actuaries indices	32
Benchmark Govt bonds	26	Foreign exchange	27
Bond futures and options	26	Gilts prices	28
Bond prices and yields	26	London share service	28-29
Commodities prices	25	Managed funds service	30-31
Dividends announced, UK	23	Money markets	27
EMS currency rates	27	New intl bond issues	26
Eurobond prices	26	New York share service	34-35
Fixed interest indices	26	Recent issues, UK	32
FT-A World Indices	Back Page	Short-term int rates	27
FT Gold Mines Index	32	US interest rates	26
FT/ISMA Intl bond svc	26	World Stock Markets	33

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Asko PrT	540	+	15
SAP AG	1285	+	54
Zanders	215	+	5
Falls			
DLW	380	–	10
Schering	1088	–	24
Verein-West	323	–	6
NEW YORK ($)			
Rises			
Avid Tech	35⅝	+	4⅛
Chrysler	46⅝	+	9¼
Delta Air	53⅞	+	⅝
Ford	27¾	+	¾
H&R Block	46½	+	4⅛
UAL	88⅝	+	2⅞
LONDON (Pence)			
Rises			
Edin Fnd Man	751	+	28
Manweb	670	+	25
Perpetual	1490	+	80
Yale Cato	283	+	13
Falls			
Hewitt Wilng	206	–	25
RMC	1024	–	22
TORONTO (C$)			
Rises			
Dresco En A	19¾	+	1⅜
Scott Paper	17⅞	+	2⅜
Sth Wstn Gld	11½	+	1½

Trimark Fin	47½	+	1½
Falls			
Exco Tech	7	–	¼
Gecamex Tech	5⅝	–	⅞
PARIS (FFr)			
Rises			
Canal Plus	617	+	12
GTM Entrepse	369	+	25
Havas	403	+	10.8
Falls			
Accor	536	–	11
Chargeurs	933	–	15
Euro RSCG	513	–	30
TOKYO (Yen)			
Rises			
Dennys Jap	2450	+	100
Ihara Chem	710	+	25
Inax	975	+	44
Lng Trm Crd	527	+	24
Falls			
M'bishi Est	980	–	25
Nip Fire	552	–	19
HONG KONG (HK$)			
Rises			
ASM Pacific	5.25	+	0.25
Century City	2.15	+	0.12
Chi Cheung	2.37	+	0.17
Falls			
Lion Asia	1.78	–	0.12
Orient Tele	2.47	–	0.15
Star Paging	1.58	–	0.16

Bangkok closed. New York and Toronto prices at 12.30pm.

Chrysler and Kerkorian

Busch takes control of UK brewery

Venture with Courage gives US brewer foothold in Europe to develop Budweiser lager brand

By Roderick Oram, Consumer Industries Editor, in London

Anheuser-Busch, the world's largest brewer, is to gain management control for the first time of a European brewery as a further step in the international development of its Budweiser lager.

The US company said yesterday it will run the Stag Brewery in Mortlake, London, in a joint venture with Courage, the brewery's owner.

The deal heralds an imminent wider restructuring of UK brewing as Scottish & Newcastle is widely expected to make a bid after Easter for Courage, owned by Foster's Brewing Group of Australia. If the offer is approved by regulators it will create the largest UK brewer with a market share of around 25 per cent.

The City welcomed the joint venture because it ties up one of the loose ends an S&N/Courage merger would produce. Courage has brewed Budweiser under licence in the UK since 1984 and at Mortlake since 1986.

The fate of the Stag Brewery and the Budweiser production contract was hanging in the balance but yesterday's agreement guarantees the brewery's medium-term future and will likely give S&N a continuing role in Budweiser's development if it buys Courage.

S&N would gain a strong hold on mainstream US beers in the UK because it already brews Coors under licence while Courage brews Miller Pilsner.

Busch took over UK sales and marketing of Budweiser from Courage in late 1991 and has built it into the country's largest selling premium lager in bottles and cans with about 13.8 per cent of that market. About half Mortlake's output of Budweiser is exported to the Continent but Busch is not the first US brewer to take control of a European brewer. Coors bought a Spanish plant from Heineken last year.

Busch plans to step up output at Mortlake and begin work on a bottling line within a few weeks. Courage will lease the brewery to the 50:50 joint venture, generating an income stream for Courage and presumably S&N.

But the deal was "done entirely to meet our future demands for Budweiser", says Mr Christopher Stainow, managing director of Anheuser-Busch European Trade. "It was done independent of subsequent deals which may or may not involve Courage."

Busch has veto rights over who becomes its joint venture partner should Courage be sold but Mr Stainow declined to comment on what action Busch would take. He said, however, that Busch's international strategy was to work with strong local partners.

Mortlake accounts for about 15 per cent of Courage's output but because it is contract production and Busch sells the beer, it is unlikely to count in regulator's calculations of Courage's UK market share.

European expansion, Page 23

Macmillan sells control to German publisher

By Christopher Price in London

Macmillan, the UK's largest independent publisher, yesterday agreed to sell to Holtzbrinck, one of Germany's biggest publishing groups, a majority stake for an estimated £200m ($318m).

Holtzbrinck is to purchase 70 per cent of the Macmillan Trustees' 93 per cent stake, with around 20 Macmillan family members benefiting. Should the directors and other shareholders opt to sell their 7 per cent holding, Holtzbrinck will control 72 per cent of the UK group.

The sale will end speculation over Macmillan's future, which surfaced at the end of last year when it was reported to be considering floating on the London stock market.

Mr Nicholas Byam Shaw, chairman, said the sale had come about because the Macmillan Trustees had wanted to realise some of their assets. However, the board had advised against a flotation on the grounds that outside shareholders would not allow the company to make the long-term decisions necessary in book publishing.

Macmillan published its first book in 1843 and has remained family-owned since then, with the First Earl of Stockton, formerly Sir Harold Macmillan, the former British prime minister, its most famous chairman.

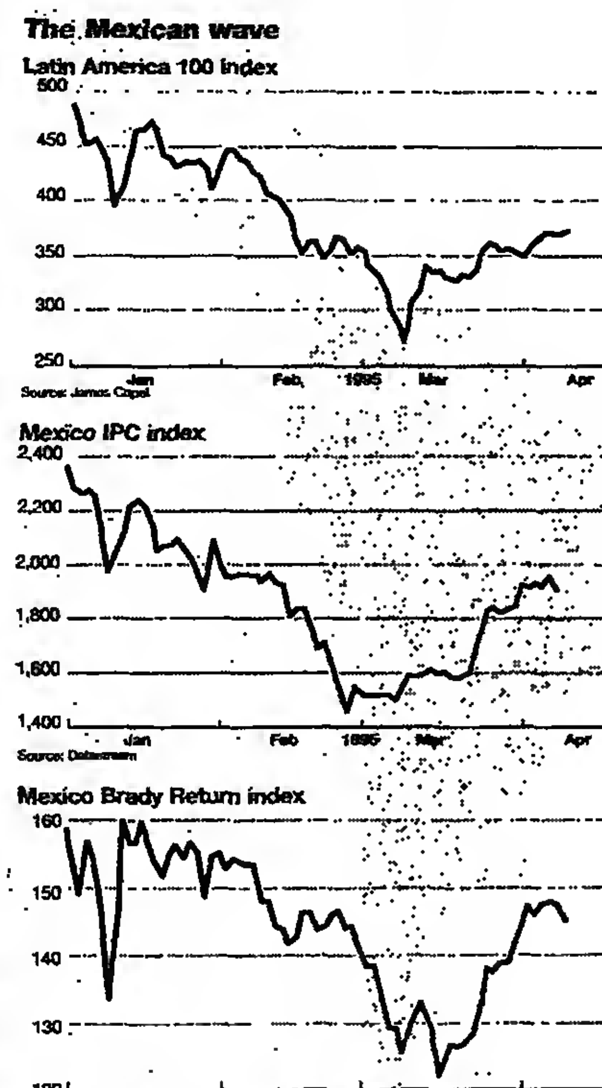
Last year, the group had sales of £250m and profits "substantially above" 1993's £15.3m, according to Mr Byam Shaw. Its publishing houses include St Martin's Press in the US, Pan Books and Picador. Its best selling authors include James Herriot and Wilbur Smith.

The family-owned Holtzbrinck group had sales of DM2.2bn ($1.5bn) in 1994. It owns Giroux, Worth and WH Freeman in the US, while in Germany it owns Fischer, Droemer Knaur and Handelsblatt, the German business newspaper, among other media interests.

Mr Dieter von Holtzbrinck, chairman, said that the merger with Macmillan would allow savings in distribution and help the two groups' ambitions in electronic publishing.

Emerging markets have rallied since the peso devalued

Bargain hunters follow the Latin beat



Emerging market enthusiasts, after suffering a battering in 1994 and the first two months of 1995, are starting to stick their heads above the parapets again.

One encouraging sign is the stabilisation of the Mexican financial markets, after the trauma which followed the currency devaluation in December. The peso, having touched 7.45 to the US dollar in early March has rebounded to 6.28; the IPC stock market index, which fell from 2,850 in September to under 1,450 in late February has rallied above 1,850. Mexican Brady bonds (issued by governments in exchange for distressed commercial bank debt) have also rallied.

As often happens when an investment category has suffered heavy losses, bargain hunters have emerged. "We have stepped away from the abyss," says Ms Philippa Armitage, head of the Latin American team at Fleming Investment Management. Now that the downside looks limited, there are grounds to start putting money back in, she says.

Those looking for an upturn have history on their side. The high risk-reward profile of emerging markets means that they suffer more in bear markets and rally more quickly in bull phases.

In the 1987 stock market crash, for example, Wall Street fell 23 per cent in the following three months but emerging markets fell 36 per cent. However, in the next 18 months, Wall Street only rose 29 per cent compared with a rise of 114 per cent for emerging markets.

Mr Arnab Banerji of Foreign & Colonial Emerging Markets says that in emerging markats, "recovery or overshooting occurs in a very short time. Past figures show that 35 per cent of the overall return comes in just 1 per cent of the time period."

Events in the US may have, temporarily at least, conspired to help emerging markets. The first increase in interest rates by the US Federal Reserve in February 1994 was blamed by many for causing the recent problems, as US investors started to retreat to the safety of bank deposits.

But the pace of US interest rate increases has slowed, and some hope, even stopped. Mr Mark Castellin, senior investment strategist at US pension consultants, Frank C Russell, says: "In January, the conventional wisdom was that emerging markets would come under pressure in the first half of the year but as the US economy slowed down, and as the Fed stopped raising interest rates, they would recover in the second half of the year. Unusually, events seem to be unfolding in line with conventional wisdom."

The sheer weight of overseas money adds to the volatility of emerging markets, because, with a few exceptions such as Chile, many lack a developed investor basa at home. Commentators have accordingly feared a panic by US private investors, in the wake of an average 30.4 per cent loss in Latin American mutual funds in the first quarter.

But redemptions appear to have been small. According to the Investment Company Institute, international funds received a $444m inflow in February. Mr Banerji says: "The business risk for mutual funds is not bad investment performance, but not having enough cash to meet redemptions, which would ruin their reputation with brokers and investors. So they do the prudential thing and raise cash in falling markets. When they saw, at the end of the first quarter, there were few redemptions, they started to put cash back toto the market."

There have also been signs that the collapse in Latin American bond prices has been halted, as investors have been attracted by high yields and the potential for capital gain.

Investors may be less willing this time to invest in any market classified as 'emerging'

Until recently, Brazilian Brady bonds were yielding more than 20 per cent, an even higher yield than on Nigeria's Brady bonds. But in the last month, there has been a strong rally in Brady bonds as investors picked up bargains. Argentine Bradys rose by about 37 per cent, while the overall Brady bond market rose about 18 per cent.

However, investors may be much less willing this time to invest in any market which is classified as "emerging". "After Mexico, country risk analysts, who had been shut in a cupboard for a couple of years, have been let out and have been horrified by what thay've discovered," said Mr Albert Edwards, global strategist at Kleinwort Benson.

Enthusiasts for Asian investment feel it was unfairly tarred with the Latin American brush. Mr Jan Kingzett, who runs Schroders' largest emerging markets fund, says: "There is nothing wrong with Asia except the markets. Companies are still recording 15 to 20 per cent annual earnings growth."

However, it would be a mistake to feel that emerging markets can resume their previons upward path. Ms Armitage warns that while the emerging markets in Latin America are looking cheap, Mexico's economic adjustment programme is likely to result in negative economic growth which in turn will have a knock-on effect on company profits. "The earnings outlook is completely different now," she says.

Mr Michael Hughes, global strategist at Barclays de Zoete Wedd, said: "It will take time for confidence to return." He thinks there is a risk that those developing countries, which have suffered the destabilising effect of short-term capital flows, may consider reimposing capital controls.

Even enthusiasts may not return to some of the more esoteric markets. Last month, Templeton, one of the biggest institutional investors in emerging markets, postponed plans to set up a Russian country fund because of the government's failure to provide adequate protection for shareholders. It was also concerned at the lack of western-style custodian and depository services.

The more fundamental danger for emerging markets is if the optimism about US interest rates proves to be unfounded. Further rate rises could throw the US economy into recession, with inevitable effects in Latin America and Asia, especially in dollar-linked economies. And, while mutual fund redemptions have not yet occurred, that does not mean a run on emerging market funds could not happen in future.

This may be the start of a rally, but it may also be a temporary blip in a bear market.

Philip Coggan and Antonia Sharpe

Générale des Eaux in telecoms link with Unisource

By John Ridding in Paris

Générale des Eaux, the French water and communications group, is establishing a joint venture with Unisource, the international telecoms alliance, to provide business services in the French market.

The move is an important step in Générale des Eaux's push into the telecoms sector and reflects the growing competition to France Télécom, the state-owned operator.

Mr Jean-Marie Messier, managing director, said the company aimed to be France's second-biggest telecoms operator and he outlined plans to invest FFr4bn in the sector this year.

For Unisource, the joint venture agreement, which is due to be signed today, reflects its strategy of seeking local partners to expand its data services and other business activities. The deal provides Unisource with a potentially powerful ally before deregulation of the French telecoms market, scheduled for 1998.

Unisource, which was formed in 1992 and which comprises an alliance between the national telecoms operators of Sweden, Switzerland and the Netherlands, already has an operation in France. The agreement with Générale des Eaux, however, extends its client base and gives it access to telecoms infrastructure.

Générale des Eaux already operates one of France's two mobile telecoms services. It is also planning to provide telecoms operations through its cable television network, the country's second biggest.

The company has been taking steps to expand its presence in the French telecoms sector, regarded as an area of potentially rapid growth. At the end of last year it formed an alliance with Southwestern Bell of the US and Vodafone of the UK to strengthen its French mobile telecoms operations.

France Télécom, which dominates the French telecoms market and which operates Transpac, Europe's largest data transfer system, said yesterday's alliance demonstrated the arrival of competition in the domestic market and it was well prepared to respond to the challenges of deregulation.

Unisource is also thought to be close to reaching an agreement with a German partner as a means of entering that market.

The approach to Chrysler

■ Rich dealmaker links up with yesterday's boss ■ For today's most profitable US carmaker, tomorrow the world

Twice back from the brink, again on the spot

Haig Simonian tells how management brought about the latest renaissance

The rags-to-riches story of Chrysler's corporate turnaround in the 1990s bas become the stuff of business school textbooks.

In less than four years, the company's standing bas shifted from deep uncertainty abont its future to pride as the most profitable of the US carmakers, in spite of being the smallest of Detroit's "big three".

The renaissance came thanks to a mixture of attractive and innovative new models, vastly improved production techniques, severe cost controls and wide-ranging disposals.

In that respect, Chrysler's "formula" does not differ from that adopted at other ailing car makers in the past, or, most likely, in the future.

Ironically, Fiat of Italy, with which Chrysler was considering a merger during part of 1989 and 1990, is in the throes of much the same process. The Italian group, which reported a deep loss in 1993, has returned to profitability with an almost identical strategy.

But the Chrysler story is slightly different, and all the more impressive, for two reasons.

Although smaller than General Motors or Ford, it is still a very substantial producer.

Steeped in the corporate culture of Detroit, such radical changes met witb greater resistance than for a smaller European manufacturer.

Moreover, tbe pressure on Chrysler was probably greater than on any other producer in a similar boat.

Japanese imports had already captured a large slice of tbe US market. However, the onset of production from Japanese "transplant" factories in the US, built at new sites with a clean labour relations slate, magnified the threat to its survival.

It is a testament to the quality of Chrysler's management that the group was able to pull off its rejnvenatinn so quickly. The turnaround had four main elements.

● New models. Chrysler has made a name for itself for innovative cars which do not just look different, but, in some cases, have exploited previously ignored niches in the market.

Its foray into the field of "minivans", epitomised in Europe by the Renault Espace, is the most striking example.

Chrysler's Voyager minivan, produced under a variety of marques, has been a roaring success in the US, where it carved out a niche for flexible "people-carriers".

Its up-market Jeep models have done much the same in trendy off-road vehicles.

Like Britain's Range Rover, the Jeep Grand Cherokee has fit a gap for a rugged (if only to give city dwellers a vicarious taste of country pursuits) four-wheal-drive vehicle capable of being used off-road, but more often eased down to the shopping mall.

Even in the relatively conventional sector of full-sized saloons, the group's LH range caught popular attention because of its bold styling and keen prices.

● Chrysler's most innovative model, the small Neon saloon, has combined its growing design and engineering strengtbs with novel production techniques, the second element in the recovery formula.

Chrysler spent a considerahle time studying the manufacturing technology of Japan'se car companies. The Neon, also due to be sold in Europe, is one of the first fruits of that strategy.

Manufacturing has been simplified and reorganised to lower costs and improve quality. Moreover, the new techniques have allowed the company to devise and introduce new models much faster than before.

So great has been Chrysler's achievement that many manufacturers, including some of the Japanese, see it as the "benchmark" for efficient production technology.

● Manufacturing innovation has gone hand in hand with radical cost controls. Productivity has risen substantially, while production costs have been cut by a variety of methods, including slashing the number of suppliers and developing particularly closer relationships with those that remain.

● Disposals have formed the final part of the strategy. Chrysler has sold s slew of non-core businesses over the past four years, helping it to raise capital for car development and focusing management efforts on the core auto business.

In 1993 alone, Chrysler sold its stake in Mitsubishi (netting $71m after tax), components companies and Lamborghini, the Italian luxury cars producer. The trend continued last year with the sale of its car wiring division.

The result of such policies has been a progressive climb in sales and earnings.

Net profits reached $3.71hn last year. That was a huge improvement on Chrysler's $2.55bn loss in 1993 (although the latter figure was caused by a $4.96bn exceptional charge for pensioners' health care and post-employment benefits).

Otherwise, the 1993 earnings were in turn a substantial improvement over the previous year's. By contrast, Chrysler posted a net loss of $538m in 1991.

The group's sales and market share have also climbed steadily, while margins have risen and break-even capacity utilisation levels have shrunk. Its market share increased to 14.7 per cent in 1993 from 12.4 per cent two years earlier.

Chrysler meanwhile achieved its goal of building np a $7.5bn cash pile for future investments, while its pension fund was marginally overfunded for the first time in years.

The change has been recognised hy tha stockmarket. Chrysler's shares have rocketed from a low of $9⅞ in 1990 to $48⅞ at lunchtime yesterday. Separately, Standard & Poor's, the US debt rating agency, restored its debt rating in October 1993 to "investment grade" class, a major achievement.

But perhaps the biggest accolade of Chrysler's come-back is yesterday's initiative hy Mr Kerkorian and Mr Iacocca.

Both men are aware that the company, like its two big US counterparts, is not completely out of the woods yet.

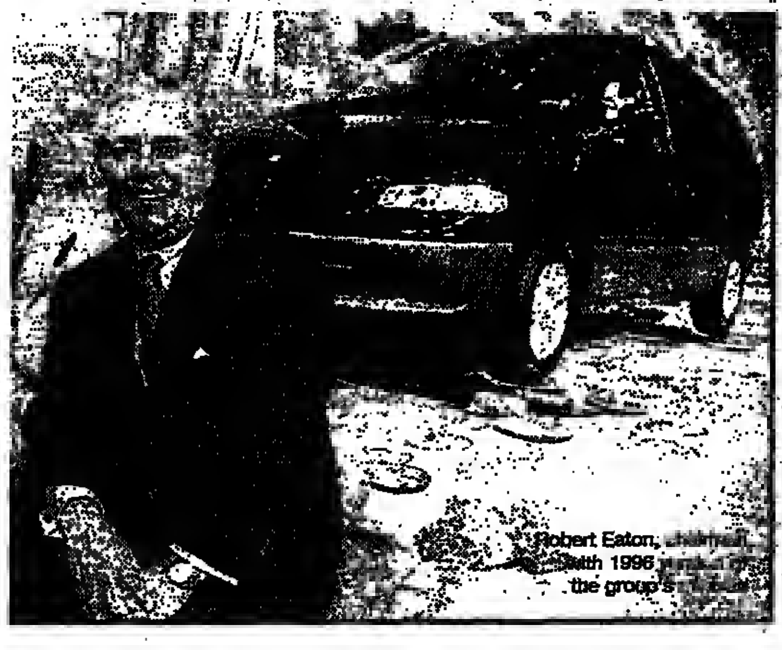
Sales could start to sag after booming on the back of the US economic recovery. Unlike GM and Ford, Chrysler remains a predominantly US-orientated manufacturer, leaving it more exposed to the vicissitudes of the home market.

Although the group has ambitious plans to sell more cars outside the US, they are still at a relatively early stage.

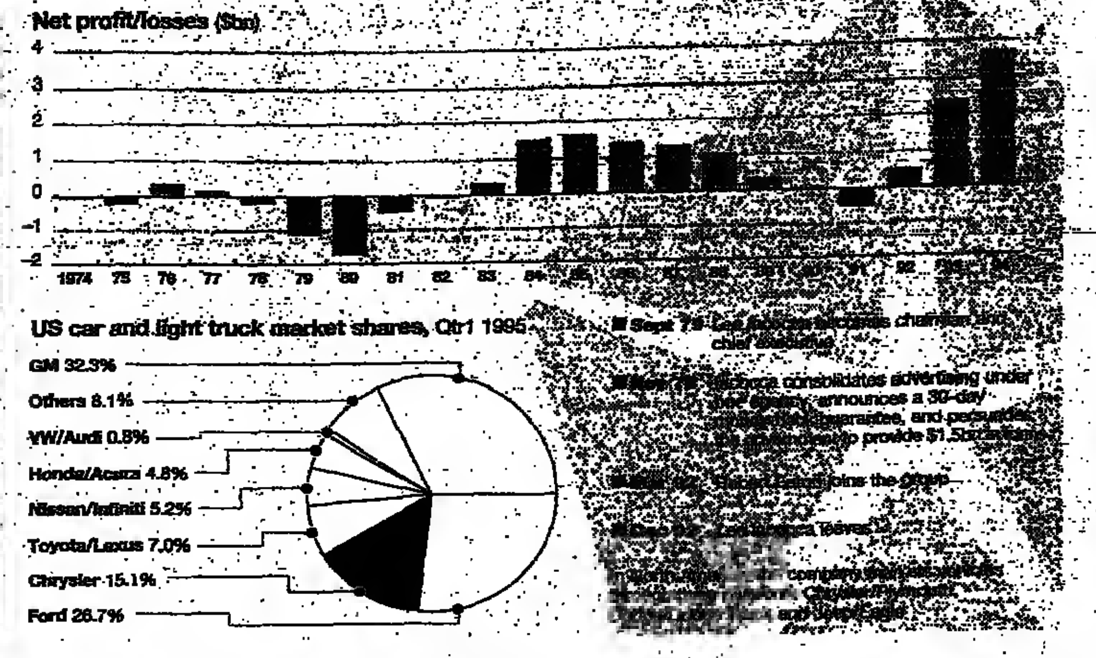
And quality ratings for some of Chrysler's vehicles are not as high as the company would like, especially considering the scale of its efforts to improve its record.

Nevertheless, such criticisms are but niggles against what remains one of the most impressive, almost astonishing, corporate turnrounds of the 1990s, as many business school students will have observed.

A five-star overhaul



Robert Eaton, ... with 1996 ... the group's ...



■ GLOBAL STRATEGY - By John Griffiths

Grand designs home and away

Mr Robert Eaton, Chrysler's cbairman, has made no secret of his intention to turn it into "the premier auto company in tbe world" by 2000.

It is moving witb increasing aggression into Europe's 14m-units-a-year new car market, and into Asia and other markets outside of North America.

To help achieve the goal, it is engineering from scratch an ever wider array of vehicles in botb right- and left-hand-drive. Its declared aim at least to double its sales outside North America to more than 200,000 by the end of the decade is already appears modest.

Chrysler's US-built Neon, a potential rival for cars like the Ford Escort, has begun to be sold in Europe. A plant in Graz, Austria, is already the production base for Jeeps and Voyager vans, with other additions potentially to follow. It bas small volume kit assembly operations in China, Venezuela, Egypt and Malaysia, with similar ventures starting in in Indonesia and Thailand.

As part of its Asian push, in Vietnam it is planning to invest $199m in making Jeep four-wheel-drive vehicles, light trucks and a version of its Neon saloon. Long term, the aim is to export some of the production to other Asian markets. Chrysler is not, however, proceeding without caution.

Chrysler has already indicated it would pull out of a $1bn plan to build minivans in China, because it fears other Chinese car makers msy be allowed to use its technology without its control. Unauthorised replicas of Jeeps are already being built by some small Chinese companies.

If it is "tomorrow the world", the US still dominates Chrysler's sights. The long recovery in the new vehicle market is now widely believed to have passed its peak.

Total car and light truck sales fell by 4 per cent in tbe first quarter, the overall figure disguising a sharper decline of 5.2 per cent in March. Earlier this week, Chrysler revised downwards, for the third time this year, its own forecast of the 1995 new vehicle market, from 15.9m from 15.5m units.

But pessimism is easily overdone. US vehicle sales - total cars and trucks - had risen for three years in succession to the end of last year. The total Marcb market was still the second best for the month since 1988. And Chrysler's own aggressive products and marketing strategies are continuing to pay off. Its first quarter share of new car sales has risen to 10.6 per cent from 9.8 a year ago.

But there are problems in tbe so-called "light truck" sector, embracing pick-up trucks, four-wheel-drive Jeep leisure/utility vehicles and the minivan ranges it pioneered, where sales have fallen by about 11 per cent. An incentives war is already raging in the minivan market.

Production is still running above last year's levels, and tbe soaring yen and major competitiveness improvements hy Chrysler and its domestic rivals are keeping Japanesa competition at bay.

But this is an industry where under-investment can quickly lead to disaster and Chrysler, financially the best prepared for a downturn of the US carmakers, bas no intention of falling behind. Between this year and 1999, it plans to spend $23bn on new product development and plant improvements – a 48 per cent rise on the previous four-year period. More flexible manufacturing processes, sborter product cycles and a greater variety of adventurous designs are all intended to keep up the momentum which has transformed its fortunes from 1990, the most recent occasion when it was on the brink of collapse.

■ KIRK KERKORIAN - By Richard Tomkins in New York

The man who sold Dorothy's slippers

Kerkorian: obsessively private

There is something of the late Howard Hnghes abont the obsessively private Mr Kirk Kerkorian. On the rare occasions that he talks to the press, Mr Kerkorian likes to say that he is an extrovert by comparison. But he has a Hughes-like penchant for airlines, casinos, and – as yesterday's move on Chrysler indicates – spectacnlar deals.

He is also very rich. A junior high school drop ont and son of an Armenian immigrant fruit farmer, he has spent his working life wbeeling and dealing his way tn a personal fortune, estimated by Forbes magazine last year at $2.5bn.

Kerkor "Kirk" Kerkorian was born in Fresno, California, in June 1917. Twice married, be has had two children. A combination of his children's names, Tracy and Linda, provides the name for tbe investment vehicle through which be has done so many of his deals: Tracinda Corporation.

After stints as a boxer, Mr Kerkorian learned to fly and served with Britain's Royal Air Force during the Second World War, training US fighter pilots. Afterwards he started flying war surplus aircraft across the Atlantic, then built np his own charter airline business in the US.

In 1969, after selling the charter airline business for a snbstantial profit, be started on a career as an investor hy acquiring a controlling stake in the Metro-Goldwyn-Mayer film studios in a hostile bid. In the same year he acquired control of a now-defunct passenger airline called Western Airlines and npened what was then the higgest botel and casino complex in Las Vegas, the International.

By 1970 it looked as though Mr Kerkorian had hitten off more than he could chew. His rapid expansion had run him beavily into debt, and unexpected problems were bitting profitability at MGM and Western Airlines. But he extricated bimself from his difficulties hy selling the International casino, bis private jet and other assets.

Soon afterwards, in 1973, He emharked nn annther gamble by opening his first MGM Grand hotel and casino complex in Las Vegas – again, the higgest complex in town at the time. In 1980 tbe casino was to become renowned as the scene of a fire that killed 85 people, and in 1986 Mr Kerkorian sold it to another casino operator called Bally's.

Last Decemher Mr Kerkorian opened an even bigger hotel and casino complex in Las Vegas: the spectacular $1bn MGM Grand resort, comprising a theme park and a gaming floor as big as Yankee Stadium. But while he continues to profit from his casino interests, and whila the MGM name still adorns them, the MGM film studio interests have long since gone.

The story of the film studios is one of a series of labyrinthine deals in which Mr Kerkorian added United Artists to the company in 1981; sold a cbunk of its bome entertainment interests to the public in 1982; tried to take the company private in 1984; sold most of it to Mr Ted Turner in 1986; bought most of it back again five months later; then eventually sold the remains to Mr Giancarlo Parretti's Pathe in 1990.

Some in the film industry have still nnt forgiven Mr Kerkorian for his treatment of the MGM film studios during his period nf nwnership, accusing him of asset stripping the business in the manner of a corporate raider and leaving it as a gutted shell. Its library nf classic films were divested, the historic Culver City lot went - even the ruby shoes worn by Judy Garland as Dorothy in the film The Wizard of Oz were sold.

By the time the company was acquired hy Mr Parretti, MGM was said to have been so poor that it could not afford to print posters promoting its own movies. Mr Peter Bart, a former MGM executive who wrote a book called Fade Out about the company's decline, said: "There I was, scratching around for relics of past greatness, and all I found was Kirk Kerkorian playing poker in the ruins."

Images like these are likely to lead to concerns about what Mr Kerkorian will do to Chrysler if he and Mr Iacocca, who have been friends since Mr Kerkorian first took his stake in Chrysler, succeed in taking the company over.

Yesterday Mr Kerkorian appeared to be trying to lay these fears to rest, suggesting that he saw his role as an investor rather than as active participant in the running of the company. But anyone in the film industry who is asked for their advice is likely to offer tbe warning: "Remember Dorothy's slippers".

■ LEE IACOCCA - By Kenneth Gooding

He led and then got out of the way

In the mid-1980s Lee Iacocca was one of the best-known people in the US. A poll showed that 93 per cent of Americans could correctly identify him and 78 per cent viewed him favourably. His autobiograpby went straight to the top of the best-seller list and stayed there for 36 weeks, selling 4m copies worldwide.

None of this would have happened had Iacocca achieved his long-held ambition to become chairman of Ford Motor. Henry Ford II, grandson of the founder, foiled Iacocca and fired him in 1978. According to Iacocca, Ford explained simply: "I just don't like you."

Within months Iacocca had been hired by the rival Chrysler Corporation, third-largest of the US car groups and seemingly on the brink of extinction.

Born Lido Anthony Iacocca, on 15 October, 1924, the son of an Italian who arrived in the US at the age of 12, be grew up in Depression poverty in Allentown, Pennsylvania.

Prodded hy his amhitious fatber, Iacocca earned degrees st Lehigh and Princeton universities and in 1946 he joined Ford as a young engineer. He became head of Ford's car division in 1960 then made his reputation in 1964 after overseeing the development of the Ford Mustang sports car.

His success with tha Mustang belped propel him to the Ford presidency in 1970, but a determined run at the chairmanship saw him tovolved in an ugly internal corporate battle before Henry Ford fired him.

Taking over as chairman of Chrysler, at the age of 53, Iacocca showed tremendous energy. With the help of former colleagues from Ford, he browbeat component suppliers into giving Chrysler big price cuts. He played the leading role in Chrysler's television advertising campaign, hlatantly appealing to viewers' patriotism.

Most importantly, he badgered the US government into giving the corporation $1.2bn of loan guarantees. This bought time for the group to launch a raft of new products, including what was then a new style of vehicle, a "minivan".

By 1984 Chrysler, which four years previously had reported a $1.71hn loss, then the biggest in US corporate history, had paid back $1.2bn of government-guaranteed loans seven years early and reported a net profit of $2.4bn.

In the next eight years, Iacocca's reputation suffered. In 1990, when Chrysler's profits dropped by 80 per cent and its dividend payment was halved, Iacocca's salary was increased by 15 per cent to $4.58m.

But, as far as Wall Street was concerned, his biggest sin was to take Chrysler on a diversification spree into aerospace and defence. At the same time Iscocca imposed a top-heavy holding company structure that sent Chrysler's costs soaring.

So, at the start of the 1990s, Chrysler's survival was once again in doubt. Yet it was in his final years as chairman that the seeds of recovery were sown.

After repeatedly asking Chrysler's board to extend his period at the top, he relucantly retired as chairman at the end of 1992. Since then, he has flung himself into the leisure and entertainment business. He became a director of Kirk Kerkorian's Las Vegas hotel and casino husiness, MGM Grand, in 1993. He has backed startup ventures in olive-oil margarine and in-flight entertainment. And he is leading a project to create four casinos on lands owned by Indian tribes in Oregon.

Iacocca: tremendous energy

■ ARE TAKEOVERS BACK IN FASHION? - By Maggie Urry in New York

A step back towards those hostile late 1980s

If evidence were needed that takeovers are back in fashion in the US, yesterday's proposed bid for Chrysler would do it. To merger and acquisition professionals on Wall Street it was almost like the late 1980s again.

Almost, but not quite. This time around there are significant differences. So far the excesses of the 1980s junk-bond-financed, break-up bids have not reappeared. Instead there is a drive to do deals which make sense strategically, sucb as consolidations wilhin industries and divestments of subsidiaries.

Last year tbe value of mergers and acquisitions announced in the US, at $341hn (£213.10hn), just topped the previous annual record of $336bn in 1988, according to figures from Securities Data. The first quarter of 1995 witnessed another $80bn worth of transactions, 35 per cent up from the first quarter of 1994, although slipping from totals of each of the previous three quarters. Bankers expect 1995 to be another record year.

The second quarter hsd already got off to a cracking start before the approach to Chrysler. On Tuesday Zurich Insurance agreed a $2bn offer for Kemper, the insurance and fund management group, and over the weekend Seagram, the drinks company, hammered out a $5.7bn deal to buy 80 per cent of MCA, the entertainment group. Last week, in the defence sector, Raytheon agreed to buy E-Systems for $2.3bn.

While the activity last year was largely companies selling subsidiaries, the scene has been shifting towards purchases of whole companies, increasingly through hostile bids. In the peak year of 1988 nearly two-thirds of acquisitions were hostile, but in the first quarter of this year unsolicited bids accounted for only 16 per cent of approaches, although that is up from 8 per cent last year. Many of the hostile bids come from non-US companies such as Luxottica of Italy, which is currently pursuing US Shoe, and the bid by BPB of Britain for National Gypsum.

One m and a specialist says that hostile bids are again being seen as acceptahle, and more are likely if current offers succeed. Shareholders in target companies appear ready to accept offers if they think the price is right. For instance, many US Shoe shareholders have indicated that a higher offer from Luxottica would win the day. Earlier this week Clark Equipment accepted an offer from Ingeraoll Rand once it increased its bid from $77 to $86 a share.

Mr Rick Escherich, a market strategist in JP Morgan's m and a department, who follows trends in takeovers, says that Ingersoll Rand's success showed that "when you put a lot of money on the table you get what you want".

That money though is less likely than in the 1980s to come from heavy borrowings either through the junk bond market or from banks. However, Mr Escherich believes "the money is there" for carefully considered transactions. "Bank financing has picked up," he says, "and I would expect the junk bond market to be receptive to well thought through deals."

That apparently did not apply to last year's $68 a share bid by Conseco, the US insurer, for Kemper which fell through in November when Conseco could not put the financing together. With Zurich's bid and a demerger of its hroking business, Kemper's value was finally put at $51 a share. It may not hold true either for Tracinda Corporation's possible offer for Chrysler.

The problems which some of the highly leveraged deals of the late 1980s experienced may deter buyers from following the same course this time round. Break up bids – where the buyer aims to sell all the parts of the business for a total price higher than it paid – are less likely. Mr Escherich says: "I don't see break up bids coming back, partly because the big tax incentives are no longer there."

However, the strong market for purchases of aubsidiaries means that biddars are confident of being able to sell parts of a target business they do not wish to retain, at a good price. That confidence should support takeover prices.

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INTERNATIONAL COMPANIES AND FINANCE

Bull sell-off details imminent

By John Ridding in Paris

The French government is finalising the first stage of the privatisation of Groupe Bull, the loss-making computer manufacturer, and is expected to announce the operation within the next few days.

The announcement, described as imminent by official sources, is expected to involve a large stake for NEC of Japan and an investment by Motorola of the US.

However, the French government, in conjunction with state-owned France Télécom, is likely to retain a majority stake pending a second operation expected later this year.

The privatisation commission, an independent body which advises the government on sales of public-sector assets, is completing its study of the various bids for stakes in the French group. The final authorisation of the operation requires the go-ahead from the office of Mr Edouard Balladur, the prime minister.

The French government is committed to privatising the computer group under the terms of a capital increase of FFr11bn ($2.3bn) which was approved by the European Commission last year.

The capital increase was necessary to rescue the French company, which has suffered losses of more than FFr20bn over the past five years.

Losses have been substantially reduced since the implementation of a restructuring plan by Mr Jean-Marie Descarpentries, who took over as chairman in autumn 1993. Last year, it reported a profit at the operating level and is forecasting a net profit this year. As part of the first-stage privatisation operation, NEC of Japan, which already co-operates with Bull in areas such as mainframe computers, is expected to raise its stake from 3.7 per cent to 15-20 per cent.

Motorola appears prepared to establish a joint venture with Bull for the development of its PowerPC computer chips and to take a stake in the French company.

The sale of stakes is expected to coincide with a capital increase of an estimated FFr2bn.

IPC of Singapore, which last month announced a series of joint ventures with Bull to develop smart card operations and to extend its European presence, is also a candidate for a stake, although this is likely to be below 10 per cent. Other candidates for smaller stakes include Lagardère Group, the French defence and communications concern.

The likelihood of a two-stage process reflects the complexity of the operation.

Unlike previous privatisations, the government is seeking to reduce its 76 per cent stake to a minority through the sale of stakes to industry partners rather than through a public share issue.

The operation has been further complicated by the need to find partners, often rivals in the electronics or computer sector, which are capable of co-operating as shareholders in Bull.

The privatisation process has seen several bidders withdraw. AT&T of the US and Quadral, its French partner, abandoned an offer to take a 40 per cent stake in Bull.

Sequent, the US computer group, has also pulled out of *the bidding process.*

Snecma in call for injection of state funds

By David Buchan in Paris

Snecma, France's state-owned aero-engine maker, facing further financial losses and a serious contraction in business this year, needs a large injection of government money to finance the development of new engines, Mr Bernard Dufour, the chief executive, said yesterday.

Justifying a new plan to redeploy about 2,000 workers, Mr Dufour forecast that Snecma sales would continue their fall from the 1991 peak of FFr14.5bn ($2.97bn) to FFr8.8bn this year, down a further 17 per cent from last *year's FFr10.4bn turnover. The* group, which saw its losses triple to FFr2.17bn last year, will "still be clearly in the red" this year, Mr Dufour said.

The fall-off in sales has caught Snecma, which has a long-standing partnership with General Electric of the US, in the middle of an ambitious development programme. This includes developing the GE-90 engine for Boeing 777s, the CFM 56-5B for the Airbus 320 and Airbus 321, and the CFM 56-7 engines for new versions of the Boeing 737.

Earlier this year, Mr Francois Léotard, the defence minister, indicated that Snecma stood a good chance of getting its requested FFr2bn capital injection from the state. However, no state money has been forthcoming. This is partly because Snecma is resisting the defence ministry's demands for a price reduction on the M88 engine for the Rafale fighter, and partly because of the political paralysis caused by France's presidential elections.

Mr Dufour, former head of GEC-Alsthom engineering, now indicates that Snecma needs as much as FFr6bn to bolster its depleted capital.

The redeployment plan does not include forced redundancies. One factory belonging to Snecma's Hispano-Suiza subsidiary will be closed. However, the unions fear imminent lay-offs. Mr Dufour hopes his new plans will produce cost savings of around FFr1bn a year.

Volvo sells Alfred Berg to ABN Amro for SKr1bn

By Christopher Brown-Humes in Stockholm

ABN Amro, the Dutch bank, yesterday agreed to buy Alfred Berg, a leading Nordic investment bank, from Volvo of Sweden in a deal worth at least SKr1bn ($136.4m).

The acquisition complements the Dutch group's efforts to develop a strong European investment banking presence through its ABN Amro Hoare Govett network.

The deal steps up Volvo's efforts to sell about SKr40bn worth of non-core businesses. Last week the group sold its food businesses and set up a joint venture beverage concern with Orkla of Norway in deals worth SKr8.8bn. The company *is negotiating the sale of* Swedish Match, the world's biggest matchmaker, to a financial consortium led by Baring Capital Investors.

Alfred Berg specialises in equity and bond trading, corporate finance, asset management and research. It has offices in Stockholm, Copenhagen, Helsinki, Oslo, London, New York and Zurich, combin*ing a strong local position with* a presence in international financial centres where Nordic shares are heavily traded. The group achieved pre-tax profits of SKr210m last year on turnover of SKr1.6bn.

Volvo will receive an immediate SKr300m, equivalent to Alfred Berg's net asset value, and a special dividend of SKr366m. Further payments of SKr300m-SKr900m will be made over the next four years, linked to profit performance. Volvo's 1995 earnings will not be affected by the deal.

Mr Louis de Bièvre, chairman of ABN Amro's investment banking division, said the purchase was a perfect fit and meant the bank was now "close to being the largest equities broker in Europe".

The group gains a Nordic investment banking presence to complement its commercial banking operations in the region and its wider European investment banking network. Its broader global ambitions are reflected in its recent purchase of an additional 35 per cent stake in HG Asia Group, a leading Asian stockbroker, taking its total holding to 55 per cent.

The deal was agreed after only a week of talks, although ABN Amro declined a chance to buy the company at a higher price six months ago. It appears that Volvo was anxious to conclude the deal ahead of its annual general meeting next Wednesday. Alfred Berg's management had sought a buy-out.

Mr Carl-Diedric Hamilton, a former chief executive of Enskilda Group, an investment banking arm of Skandinaviska Enskilda Banken, will be Berg's president and chief executive. Two senior Berg executives, Mr Patrik Brummer and Mr Christer Jacobson, have resigned.

Turnround at Alcan Aluminum

By Robert Gibbens in Montreal

Strong demand and higher metal prices lifted Alcan Aluminum in the first quarter, relieving the effects of a long recession.

First-quarter net profit was US$174m, or 75 cents a share, against a loss of $25m, or 13 cents, a year earlier. The 1995 period includes an after-tax gain of $24m, or 11 cents, from the sale of its US metals distribution business.

Sales and operating revenues were $2.4bn, up 34 per cent from $1.8bn a year earlier. Gross profit was $420m against $184m.

Shipments of ingot were 196,000 tonnes, against 217,000 tonnes, and of fabricated products, 455,000 tonnes, against 388,000 tonnes. Including fabrication of customers' metal, total shipments were 715,000 tonnes, against 659,000 tonnes.

Alcan began its turnround last year and the fourth quarter was strong. This year it is benefiting from re-negotiated prices.

The first-quarter results exceeded expectations. The consensus had been earnings per share of about 55 cents before special items.

Alcatel may ask SocGen chief to assume temporary control

By John Ridding

Mr Marc Viénot, chairman of Société Générale and one of France's most prominent bankers, appears set to take the helm temporarily at Alcatel Alsthom should an appeal court uphold a ban on Mr Pierre Suard, chairman of the industrial group.

Mr Suard, who was last month barred from running Alcatel by a magistrate investigating allegations of fraud, has appealed against the ban.

The decision of the appeal court is due to be announced tomorrow.

Should the appeal court decide to maintain the ban, an Alcatel board meeting called for next week is expected to name a caretaker chairman pending a resolution of Mr Suard's legal problems, or to give the directors time to find a permanent replacement.

The Alcatel chief has strongly rejected any wrongdoing and has received a vote of support from the board. However, should his ban be maintained, it would appear difficult for Mr Suard to remain at the head of the group.

Mr Viénot's emergence as

Marc Viénot: a pillar of the French financial establishment

the most likely candidate as a temporary head is the result of several factors.

Société Générale is Alcatel Alsthom's single largest shareholder, with a 6 per cent stake and 9 per cent of the voting rights.

Mr Viénot, 67, is a pillar of the French financial establishment and is well-known internationally.

The available choice among the existing board is relatively limited.

The company's statutes stipulate that the chairman must be younger than 68 or to reach his 68th birthday in the year of the annual board meeting to approve the company's accounts.

This stipulation, and the probability that the board will seek a French caretaker, narrows the choice to three – Mr Jean Peyrelevade, chairman of Crédit Lyonnais; Mr Jacques Friedmann, head of Union des Assurances de Paris and Mr Viénot.

Mr Peyrelevade has enough to contend with as he seeks to rescue the loss-making state-owned bank.

UAP is a smaller investor than *Société Générale* with a 2.2 per cent stake.

Industry observers said the appointment of Mr Viénot as caretaker should be well received by investors.

"He is a well respected, straight-talking figure," said one analyst. He added that shares would probably be hit if Mr Suard returned to head Alcatel without a resolution of the legal affairs which are troubling him and the group.

These include allegations of overbilling of France Télécom and the abuse of company funds for work on Mr Suard's private property.

AgipPetroli lifted to L341bn by disposals

By Andrew Hill in Milan

AgipPetroli, Italy's state-owned oil processing, refining and distribution company, increased net consolidated profit in 1994 to L341bn ($198m), helped by income from disposals.

In 1993, the company – which is part of Eni, the state energy and chemicals holding company – reported a net profit of L200bn.

Gross consolidated turnover at the group slipped to L43,872bn from L44,807bn.

Operating profit at AgipPetroli was lower because of declining margins in the refining sector, falling to L629bn, from L835bn in 1993. AgipPetroli said it had managed to contain the fall by improvements in efficiency.

The group said it had realised savings by merging seven subsidiaries operating in various sectors, including refining and petrol, completing the restructuring of the sector. Through its Agip and IP petrol stations, AgipPetroli controls Italy's largest network of service stations, with roughly 30 per cent of the market.

The company realised unspecified extraordinary gains through the sale of subsidiaries, including its bottled gas distribution activities, and certain motels which are not part of the group's joint venture with Forte, the UK hotel and leisure group.

Technical investments in 1994 increased to L1,293bn, from L1,068bn, bringing the total investment in the last five years to more than L5,240bn.

Eni is one of the main companies on the Italian government's programme for privatisation. Plans have included the formation of a SuperAgi holding company, which would exclude Eni's loss-making chemicals interests, but it seems likely the company will be sold as a whole.

Mr Rainer Masera, Italy's budget minister, yesterday promised a sale of Eni shares before the summer.

Kmart tailors executive pay to performance

Kmart, the US retailer whose deteriorating financial condition led to the departure last month of Mr Joseph Antonini, last year paid the former president and chief executive his base salary of $923,000, up 3.4 per cent from his pay of $893,000 in 1993, AP-DJ reports from New York.

Kmart said Mr Antonini and other executive officers did not receive an annual incentive bonus "because the company failed to achieve the applicable 1994 performance objectives" approved by the board's compensation and incentives committee.

Mr Antonini also received options to buy 125,000 common shares at an exercise price of $18.88 – part of Kmart's plan to link long-term incentive compensation more closely to Kmart's performance.

The board, under pressure from shareholders unhappy with the group's weak performance, forced Mr Antonini to resign.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 13.04.95 Pool purchase price £/MWh	Final Prices for Trading on 16.03.95 Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.87	8.79	8.79
0100	8.88	9.03	9.03
0130	8.90	10.65	12.13
0200	8.91	10.65	12.13
0230	8.91	9.90	11.37
0300	8.91	9.90	11.37
0330	8.90	9.90	11.37
0400	8.88	8.88	8.88
0430	8.87	8.79	8.78
0500	8.87	8.75	8.75
0530	9.19	8.78	8.78
0600	8.85	8.78	8.78
0630	8.90	8.78	8.78
0700	8.94	8.78	8.78
0730	10.38	8.98	8.88
0800	18.94	9.11	9.11
0830	16.50	11.12	12.67
0900	17.32	12.76	14.44
0930	20.38	17.97	19.77
1000	20.38	18.18	20.00
1030	17.31	18.06	19.88
1100	16.04	17.90	19.68
1130	17.30	18.09	18.92
1200	17.29	18.35	20.24
1230	16.03	19.19	20.05
1300	16.02	17.80	19.57
1330	14.98	12.46	14.08
1400	14.96	11.18	12.78
1430	13.65	10.32	11.86
1500	14.13	10.28	11.81
1530	14.13	9.24	9.24
1600	14.13	10.56	12.19
1630	14.13	18.13	20.01
1700	18.43	18.88	20.67
1730	17.28	16.42	18.37
1800	14.13	11.24	11.24
1830	14.13	17.78	21.00
1900	10.38	24.87	28.63
1930	8.94	28.19	31.79
2000	15.79	22.90	25.51
2030	39.57	19.27	21.03
2100	39.57	12.27	13.84
2130	21.15	16.78	18.24
2200	21.15	8.06	8.06
2230	8.50	8.06	8.00
2300	9.50	8.88	8.88
2330	8.94	8.78	8.79
2400	8.90	8.19	8.19

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £19.80/MWh becomes 1.98p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the [illegible] Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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LEGAL NOTICES

INTERNATIONAL COMPANIES AND FINANCE

Seeking a 'third way' for Italian banking

Credito Italiano is keen to play a role in restructuring the economy, reports Andrew Hill

Shoppers are said to go through three distinct emotions after making a big purchase: elation shortly after signing the cheque; disappointment when the item is unwrapped at home; and finally a long period of resignation during which they get used to living with their choice.

Mr Egidio Giuseppe Bruno, deputy chairman and chief executive of Credito Italiano (Credit), still seems to be in the first phase, more than two months after the Milan-based bank won its long bid battle for Credito Romagnolo (Rolo) of Bologna.

The bid – the biggest takeover battle in Italian stock market history – is only the main event in nearly 18 months of frenetic activity for the bank, beginning with privatisation in December 1993.

Since then, Credit has welcomed new shareholders, asked them to sign up to e L2,600bn ($1.5bn) issue of new shares, bonds and warrants and, with the Rolo purchase, expanded its national network to about 1,000 branches.

> Many analysts say that Credit has paid too much for Rolo and will eventually regret it

Now Credit is one of four banks proposing to handle jointly the eagerly awaited sale of the Italian government's majority stake in Stet, the telecommunications holding company.

One reason for Mr Bruno's calm in the face of so many challenges may be that until now, statutory formalities have delayed the moment when Credit ectually signs the cheque for Rolo's shareholders.

It is quite a cheque. Credit and its partners – Ras, the Italian insurer controlled by Allianz of Germany, and Carimonte, another local bank – must pay L3,772bn for a 78.36 per cent stake in Rolo, nearly twice what Credit offered when it first proposed buying 48 per cent of the Bologna bank in October last year.

Even after Ras has taken 5 per cent of Rolo off Credit's hands, and Carimonte 10 per cent, Credit will be left with a bill for L3,050bn.

Many analysts say that Credit paid too much and will regret it.

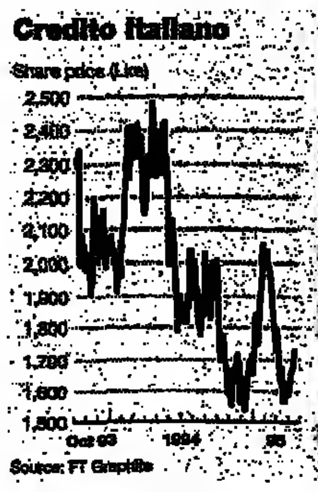
"It is obviously quite a substantial amount," Mr Bruno conceded in an interview last week. "But, considering what we have bought, we think the price was right."

Mr Bruno, who will be 60 on Sunday, is unlikely to experience much disappointment when he opens the Rolo parcel. The bank is one of the most efficient in a fragmented Italian banking sector, with potential pre-tax earnings, according to Mr Bruno, of L400bn a year.

That helps explain the trouble Credit had reeling in its prize, against a competing bid from Cariplo, tha Milan savings bank, and its allies, and opposition from senior Rolo management.

Indeed, as Mr Richard Urwick, analyst at Schroder Securities in London, puts it: "The best policy now might be not to touch it: after all, why mess about with something that's going well?" Mr Urwick admits, however, that such a hands-off strategy might not realise the potential advantages of the takeover as quickly as Credit shareholders might like.

In fact, Credit has just eppointed one of its own senior managers to take charge of Rolo's main business operations and is looking at how to realise efficiencies. One option is to integrate information technology at the two banks, another to rationalise the 20 or so overlepping branches.



Source: FT Graphite


Egidio Giuseppe Bruno
Deputy chairman & managing director

In theory, Credit has pledged not to merge its operations with Rolo's before 2000, although a qualified majority of 80 per cent of the Bologna bank's shares could clear the way for a full merger. In any case, Mr Bruno thinks that these guarantees – and others on dividend policy and management eutonomy – will not hinder the mutual benefits to the two companies.

Moreover, "many benefits are already possible without so-called structural intervention," says Mr Bruno. Ha points to the lessons Credit can learn from Rolo's close links with customers in the prosperous Emilia Romagna region – "typical of a local bank" – and, on the other hand, the use that Rolo's clients could make of Credit's international services.

The acquisition will, however, have a negative impact on Credit's profit and loss account this year. The parent bank's net earnings slipped to L91.3bn in 1994, from L219bn e year earlier, and Mr Bruno estimates the Rolo acquisition will cut a further L70bn from this year's net profit. But he is still confident that within about three years, growth in Rolo's earnings will begin to repay the capital invested "at a satisfactory rate".

Meanwhile, Mr Bruno is eager for Credit to play a further role in restructuring the Italian economy, which helps explain the proposal to join three other banks to buy the Italian government's 61 per cent stake in Stet and place it with a hard core of stable shareholders.

This plan – put together with Mediobanca, the Milan merchant bank, Banca di Roma and Banca Commerciale Italiana - has incensed some foreign bankers. They see it as a way of locking up another part of the Italian economy in the safe-deposit box of Mediobanca and its financial and industrial allies.

> 'Institutional investors are joining the banks to foster companies' access to the market'

Critics consider that this network consolidated its influence over Credit and BCI by buying small stakes in the banks when they were fully privatised in 1993 and 1994.

Mr Bruno, unsurprisingly, disagrees. He claims tha relationship with Mediobanca works because of "the extreme respect both banks have for the autonomy and independence of the other". Credit, BCI and Banca di Roma helped found Mediobanca, and all have stakes in it. According to Mr Bruno, they share the same philosophy and work together "to the advantage of the whole financial system".

The Stet proposal, on which the Italian government is expected to decide shortly, is the latest example of this solidarity.

Although Mr Bruno says Credit wants to be part of any hard core of investors in Stet, he does not think Italy is moving towards a German system, in which banks play a leading role as investors in industry.

Nor does he see the corporate economy following an Anglo-Saxon model in which quoted companies are dominated by institutional investors – a system he saw at close range in tha 1970s when ha worked as manager of Credit's City of London branch.

"Personally, I would say [there is] a third way, the 'via Italiana', where institutional investors are joining the banks to foster companies' access to the market," he says.

"To reach that stage we are obviously going to need time and the process is necessarily going to be a long one, as it implies changes in the traditional relationship between banks and firms and banks and the market."

In the worst case, analysts believe such a strategy could hold back the bank by tying it to low-yielding investments while it is still waiting for the benefits of the Rolo acquisition to come through.

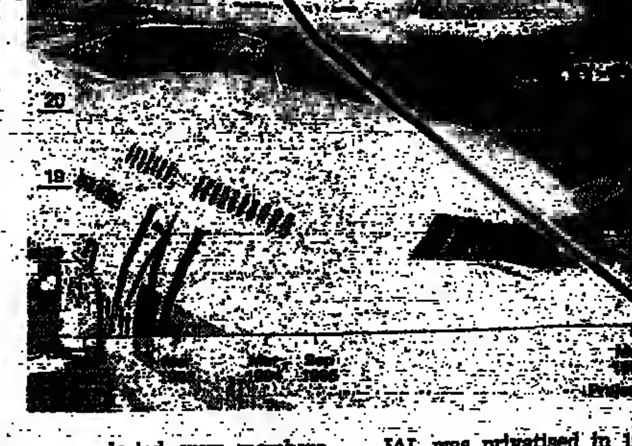
The disappointing performance of Credit's shares since the Rolo bid may indicate a similar fear on the part of shareholders, but Mr Bruno is at least prepared to live with the short-term consequences of such a strategy.

"We are well aware the market can be a very harsh judge when you make mistakes," he says, "but equally generous when things go well".

JAL to shed 800 staff as cost-cutting drive continues

By Gerard Baker in Tokyo

Japan Airlines, the country's largest carrier, is to cut the number of administrative and clerical staff at its headquarters by one-third, as part of a continuing cost-cutting programme designed to improve the airline's poor operating performance.



The company said the cuts mean the loss of about 800 jobs, but that there would be no compulsory redundancies. The reductions will be met mainly by increasing the number of those taking early retirement and a continued freeze on hiring new graduates.

JAL last year announced a four-year restructuring plan aimed at reducing the then total of 22,000 staff by 5,000 by 1998, and committed itself to deep cuts in its headquarters staff.

The job cuts at JAL's Tokyo head office will lead to the further contracting out of some of its services; the company already contracts out some head office activities to related companies. The reductions, which will reduce head office numbers to about 1,600, are expected to save Y7bn ($83.7m) in personnel costs.

As part of its restructuring, JAL last year launched Japan's first recruitment of contract flight attendants to replace some salaried crew members. The move provoked considerable controversy and was initially opposed by the transportation ministry, although JAL was eventually allowed to proceed with the plan.

The company refused to confirm press reports yesterday that it was also planning to thin out the ranks of its most senior management. The newspaper Nihon Keizai Shimbun reported that JAL aimed to reduce the number of its directors by fiva from 34, but JAL described tha report as "speculative".

JAL was privatised in 1987, and after a few years of improving profitability the company dived into the red during the recession of the early 1990s. It reported an operating loss of nearly Y50bn in 1993, but trimmed that last year to Y29bn.

Its performance is expected to improve this year.

In the six months to last September the company reported an operating profit of Y18.1bn. Pre-tax profits were Y11.7bn, against a loss of Y2.6bn a year earlier.

See Lex

Weston posts 11% profits fall

By Nikki Tait in Sydney

George Weston Foods, the Australian bakeries and food group, yesterday announced an 11.3 per cent fall in profits after tax to A$22.9m (US$16.96m) for the six months to end-January. Sales were up 3.9 per cent at A$542.1m.

Earnings per share dipped to 24.1 cents from 27.2 cents, although the interim dividend is held at 9.5 cents.

The company said the result was "in line with expectations", given industry-wide excess capacity and price competition in important business areas.

Weston said the bread division had been hit by increased wheat costs as a result of drought, and had not been able fully to recover cost increases through higher prices. A similar situation affected the milling and starch operations.

The company warned there was unlikely to be any significant improvement in the immediate future, but said that "action has been taken across all areas of the group to endeavour to lift margins and increase efficiency".

Weston said this should help second-half results.

INTERNATIONAL COMPANIES AND FINANCE

Microsoft, Wang settle patent row

By Louise Kehoe in San Francisco

Microsoft and Wang Laboratories have announced that they have resolved a long-running patent dispute, with Microsoft planning to acquire up to a 10 per cent stake in Wang as part of the settlement agreement.

Microsoft will purchase $90m of Wang convertible preferred stock maturing in 2003, representing 10 per cent of Wang's common stock after conversion. The companies also agreed to form a broad technical, marketing and service alliance.

Wang's stock price rose on news of the agreement to trade at $15⅞ in mid-session, up from Tuesday's close of $14⅞. Microsoft was down $⅝ at $71⅛.

Wang filed a suit against Microsoft in 1993, charging that the software market leader was infringing Wang patents covering object linking and embedding, an important technology that enables software "components" to work together.

As part of the settlement agreement, Microsoft will receive a licence for Wang's portfolio of software and software-related patents. The companies will also collaborate in the development and marketing of several future software products. In addition, Wang will become Microsoft's service representative in Australia.

The alliance with Microsoft and infusion of cash represent a significant boost for Wang. Once a leading manufacturer of office computers, Wang has focused on offica software since it emerged from bankruptcy protection in 1993.

The alliance also fits well with Microsoft's goals to expand beyond desktop computer software into the broader field of software for use on computer networks.

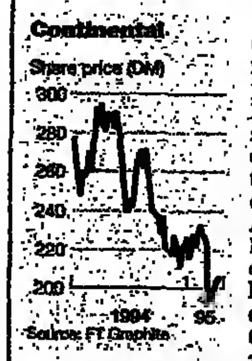
The companies said they will work together in document imaging and workflow management software.

Wang's imaging and object controls technologies will be built into future versions of Microsoft's *Windows* operating system software. These technologies enable images of scanned documents to be used with standard applications such as electronic mail and word processing.

The companies also plan to collaborate in the development of workflow automation software, which manages the routing and delivery of documents and data on a computer network. "Through our partnership with Wang, we will be able to make these technologies available for all our Windows customers, enabling a real change in the way people work and communicate," said Mr Mike Maples, Microsoft executive vice-president.

NEWS DIGEST

Continental cautious despite 9% rise for year



Continental, the German tyre company, raised net profits by 9 per cent last year, to DM71m ($50.7m), in spite of tough price competition and continued restructuring costs, writes in Andrew Fisber in Frankfurt. Group turnover was 5.4 per cent higher at DM9.9bn. The company, which owns General Tire in the US and is also involved in automotive and industrial technology, said earnings per share were up to DM8.20 from DM7.10 and cash flow per share, DM66.80 compared with DM64.10. It has already announced a 24 per cent rise in pre-tax profits to DM92m.

In spite of the improved figures, Mr Hubertus von Grünberg, the chairman, said the company still needed to increase its financial strength. General Tire broke even in 1994 at the operating profits level, but still made losses after taking account of restructuring costs.

In February, Continental announced a joint venture with Michelin of France aimed at cutting costs and fighting competition from low-cost "third-line tyres" made outside Europe.

They intend to co-operate in recycling and retreading, improving service quality to manufacturers and retailers, cutting costs and developing common production of cheap tyres. Cost savings should total DM100m a year for each company.

Pirelli optimistic of improved performance

Pirelli, the Italian tyres and cables group, yesterday said first indications from 1995 accounts suggested it would be able to increase profitability this year, writes Andrew Hill in Milan.

The group yesterday also confirmed preliminary figures for 1994, which show a return to profit after three years of losses. It reported a net profit of L147bn ($85.3m) in 1994 compared with a loss of L96bn in 1993.

Pirelli broke down turnover – which rose to L9,790bn – into sales of L4,831bn in the cables division, up 9 per cent, and L4,952bn in tyres, up 3 per cent. Cables reported a net profit of L169bn, against a loss of L14bn in 1993. The tyres division also reported a narrow net profit of L7bn, against a loss of L187bn last time.

The parent company announced a loss of L1.6bn, compared with a L44bn deficit in 1993, because it will only benefit from the results of affiliates in 1995. No dividend was recommended.

Sun Micro links with Internet program group

Sun Microsystems, the leading supplier of computers linked to the Internet, has reached a distribution and technology-sharing agreement with Netscape Communications, developer of one of the most widely used Internet "browser" programs, writes Louise Kehoe.

The companies aim to combine their strengths in the hardware and software segments of the Internet market to accelerate acceptance of electronic commerce and increase security over worldwide networks, they said.

According to market surveys, Sun holds a 56 per cent share of the market for Internet servers, while Netscape's Navigator software is used by 77 per cent of users of the World Wide Web multimedia segment of the Internet.

Sun faces stiff competition, however, from IBM, Tandem, Digital Equipment and Hewlett-Packard, all of which are targeting business users of the Internet as customers.

Heineken downbeat on Indian prospects

Heineken, the Dutch brewery group which is expanding in Asia, said yesterday interim reports from a feasibility study into the launch of operations in India were "not really encouraging", writes Ronald van de Krol in Amsterdam. However, Mr Karel Vuursteen, executive board chairman, stressed that no final decision had yet been taken on entering the Indian market.

Heineken, often described as the world's most international brewery group, is expanding through the construction of new breweries, and via takeovars. Lata last month, it announced plans to build a brewery in Burma, in line with similar projects undertaken in Cambodia, Thailand and China in recent years.

The company's annual report, published yesterday, showed that its sales in the Asia-Pacific region jumped 51 per cent to Fl 1.09bn ($694.5m) in 1994.

Mr Vuursteen said the sharp increase in Asia was largely because of a big rise in exports to China, Taiwan and Hong Kong, where the market share of the Heineken brand has grown to 20 per cent from 3 per cent five years ago.

Sumitomo Metals to back Canadian project

Japan's Sumitomo Metals will acquire a 35 per cent stake in a new copper and gold mine in central British Columbia in exchange for financing the bulk of the C$102m (US$73.8m) project, writes Bernard Simon in Toronto.

Sumitomo will contribute C$85m towards the Mount Polley mine, which is scheduled to start production in early 1997. Imperial Metals of Vancouver will operate the mine and own the remaining 65 per cent.

Reserves are estimated at 231m tonnes, with a grade of 0.26 per cent copper and 0.338 grams per tonne of gold. The initial pit has a an estimated life of between 10 and 14 years, depending on the grade of ore mined.

Much of the equipment for tha project, including the concentrator and crusher buildings, have been bought from surplus inventory at mines owned by Noranda, another Canadian mining group.

Mount Polley will be the first new copper mine to be built in British Columbia for more than a decade. The investment climate in the province has been soured in recent years by the social democrat government's tough environmental rules and pro-union labour policies. Imperial said however, that all permits required to start construction are likely to be in place by the end of this month.

Corning Fiberglas expands in S America

Corning Fiberglas has established two new ventures to capitalise on opportunities in Latin America, Reuter reports from Toledo.

A new company in Argentina will manufacture and market large-diameter pipe, and a service centre in Colombia will market glass-fibre reinforcement prodncts, the company said. The pipe operation in Argentina is a joint venture with Supercemento, a construction company, and will be called Owens-Corning Caños.

The service centre in Colombia was established with FiberGlass Colombia and Vitro Fibras of Mexico.

"Our businesses in Latin America are doing very well," says Mr Glen Hiner, chairman and chief executiva of Owens-Corning. "These new operations enable us to build on that success."

Placer Dome may face contest in Musto bid

A number of other mining companies are considering making a bid for International Musto Explorations, the Vancouver-based mining group the subject of a US$304m bid from Placer Dome, reports Reuter from Vancouver.

"A number of other major mining companies conducted due diligence on the company with a view to considering whether or not to make a bid for the issued shares of the company," International Musto said yesterday.

Placer Doma, tha international mining group, last week made a C$12.50-a-share bid for Musto, whose main asset is a stake in the rich Bajo de la Alumbrera copper and gold deposit in Argentina. Musto said a response would be made by April 20.

Placer said this week it had no shares in Musto. However, it has a lock-up agreement with major shareholder Adolf Lundin to tender 36 per cent of Musto's shares unless a cash bid for C$0.50 more a share is made. The bid closes on May 2.

Seagram shares up as sentiment improves

By Bernard Simon in Toronto

Investor sentiment bas improved in recent days over the two deals that will transform Seagram, the Canadian drinks company, into an important player in the US entertainment industry.

Seagram's share price rose 38 cents to $27.38 on the New York stock exchange in moderately active trading yesterday morning, after gaining 50 cents oo Tuesday. It posted a similar advance in Toronto.

The shares had lost almost a fifth of their value ahead of last week's news that Seagram was selling the bulk of its 24.1 per cent stake in Du Pont, the chemicals and energy group, and using $5.7bn of the proceeds to buy an 80 per cent intarest in MCA, the Los Angeles-based film, music and theme-park group. MCA is at present owned by Matsushita, the Japanese electronics group.

Some analysts, who just a week ago were dubious about the benefits of giving np Du Pont's dependable dividend stream for MCA's more fickle entertainment assets, have changed their tune.

Mr David Leibowitz, analyst at Burnham Securities in New York, said that "once the terms were fully made public, a lot of the naysayers decided maybe the sky wasn't falling".

Seagram's proceeds from the Du Pont sale, for instance, include short-term notes whose interest yield is higher than the dividend yield. It also received $440m in equity warrants, whose value will rise if Du Pont's share price continues its recent climb.

Many questions still hang over the MCA deal. But a Montreal-based analyst said that "the entertainment industry view is that Seagram has made an astute deal".

Royal Trust investors sue

A group nf 1,100 Royal Trust minority shareholders have launched a class action suit against former controlling shareboldars, management and auditors of tha failed Canadian financial institution, writes Bernard Simon in Toronto. Royal Trust was crippled in tha early 1990s by international expansion and a costly foray into commercial property. The bulk of its business was taken over two years ago by Royal Bank of Canada.

The sharebnldsrs claim Royal Trust and its auditors, Ernst & Young, failed to disclose the extent of its financial problems.

Royal Trust's assets are held by Gentra, controlled by the Torouoto branch of the Bronfman family. Gentra said it would defend the action.

CORRECTION

Matsushita

Matsushita's estimatad consolidated net loss in the year to March 1996 is Y40bn-Y50bn, not as reported in the Financial Times yesterday.

Birmingham Steel launches expansion plan

By Richard Waters in New York

Birmingham Steel has become the latest US steel-maker to announce plans to expand operations, potentially doubling melting capacity to 4m tons and lifting rolling capacity from 2.6m tons to 4m tons.

The Alabama-based company's announcement follows other recent capital investment projects approved by tha boards of US steelmakers. In total, minimill companies, which make steel from scrap, are projected to lift output of flat-rolled steel, the biggest segment of the market, by around 14m tons over the next three years.

The prospect of increased steel output, at a time when the US economy could be going into recession, has already begun to weigh on steel companies' share prices. Last month Nucor, the country's leading minimill company, announced a price cut for its hot-rolled steel, a move widely taken as a sign that prices for some lower-grade products had passed their cyclical peak.

Birmingham Steel said its board had approved plans to invest an additional $360m over the next four years, on top of the $290m of capital investment already planned. The extra investment would be used to build two new melting facilities and a rolling mill, as well as to upgrade facilities.

Mr James Todd, chief executive, said Birmingham would borrow to finance the expansion, and that the move would not depress earnings per share.

Unlike other minimill companies, Birmingham's planned expansion would come in the manufacture of steel bars and rods, used mainly in the construction industry. Other minimills, following the lead of Nucor, have focused their investments in flat-rolled steel, a higher-value product used in the domestic appliance and motor industries.

Among new minimills planned is the first to be built by a group of integrated steel companies, which make steel from iron ore and coke. Trico Steel, a joint venture between LTV of the US, Sumitomo of Japan and British Steel, plans to start operations in the first quarter of 1997.

Hilton Hotels lifts income 41% in first quarter

By Richard Tomkins in New York

A fifth consecutive quarter of double-digit profits growth in its core division helped Hilton Hotels, the US botel and gambling group, produce a 41 per cent increase in net income, to $32m, in tbe three months to March.

The company also saw an improvement in profits from its gaming division. This was attributed partly to a 105 per cent increase in the "baccarat drop" – the volume of bets – at the Las Vegas Hilton following the opening of three new luxury Sky Villas eatering for high rollers.

First-quarter group revenues rose 12 per cent to $381.9m. Operating profits in the hotel division rose to $39.1m from $21.3m and in the gaming division, to $41.8m from $39.6m. Earnings per share rose 40 per cent, to 66 cents from 47 cents.

Economic growth in the US and other markets has recently boosted Hilton Hotels' profits by bringing increases in occupancy levels and room rates.

The company has also improved its gambling revenues in spite of tough competition in the Las Vegas market.

Last November, Hilton Hotels announced that it had appointed advisers to study ways of increasing shareholder value, including a possible break-up or sale of the business.

There has been speculation that it had spoken to a potential UK buyer – possibly Ladbroke, the hotel and gambling group – but Hilton declined to comment yesterday.

Occupancy of Hiltons' owned and managed botels rose 4 percentage points to 70 per cent in the first quarter. The average daily rate climbed 7 per cent and the revenue per availahle room jumped 12 per cent.

Internationally, the group's Conrad botels in London, Dublin and Istanbul improved their performanee, with average daily room rates rising 13 per cent.

Mr Raymond Avansino, chief operating officer, said prospects for the gaming division were good. The business looked forward to the summer completion of improvements to the Flamingo Hilton Las Vegas, the opening of tbe Conrad Treasury in Brisbane, and continued benefits from the new Sky Villas at the Las Vegas Hilton.

US cable-TV group plans $1bn spending

Cox Communications, the US cable television company, is to spend more than $1bn over tbe next five years to upgrade its network for eable and telephony services, Reuter reports from Atlanta.

At tbe Robinson-Humphrey investment conference yesterday, Mr James Robbins, chief executive, said he expeeted 1995 to be a year of transition, encumbered by a full year's impact of tbe secood round of television rate regulation. But be added that tbe climate in Wasbington appeared to be beading for deregulation in 1996. "We expect core capital spending over this [five-year] period to exceed $1bn in aggregate," be said.

Mr Robbins declined to comment on bow Cox intended to finance tbe spending plan. But he said the company did "not anticipate any problems in securing the necessary financing".

Tbe company intends to spend $500m to finance its entry into the telepbony market, $300m to $500m on its alliance witb tbe US telecoms group Sprint for wireless and wire-line, and $150m-$250m in its PCS operation in soutbern California.

● Standard & Poor's said the debt ratings of all US West entities were unaffected by the company's plan to create two classes of sbares reflecting the two sides of its business.

Tbe telecommunications group's so-called target stock plan is designed to tie the value of two new classes of equity to tbe separate performances of its communications and media groups.

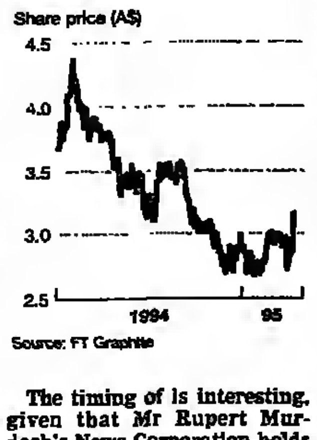
Heavy trading in Seven Network

By Nikki Tait in Sydney

Shares in Seven Network, the Australian commercial TV network, rose for the second day running yesterday, amid speculatinn that Mr Kerry Stokes, the Perth-based media proprietor, had this week bought a 5 per cent stake in the company.

Abnut 9m shares were traded yesterday. There was no formal confirmation of the buyer, but Seven shares closed at A$3.16, having started the week at A$2.87.

Seven Network



Source: FT Graphite

The timing of is interesting, given that Mr Rupert Murdocb's News Corporation holds a 15 per cent stake in Seven, and Telstra, the large government-nwned telecommunicatinns gronp, 10.9 per eent. News and Telstra are partners in a cable/pay-TV joint venture, called Foxtel.

Seven had previously been aligned with tbe rival Optus Visinn cable cnnsnrtium, backed by Mr Kerry Packer and the Optus telecommunications group, bnt withdrew late last year.

Now unaligned, Seven bolds attractive sports broadcasting rights, notably to the Australian Football League. It confirmed this week it had been apprnached by Fnxtel and Optus Vision and that it was considering the proposals.

News recently appeared tn strengtben its pay-TV programming hand, by announcing tbe formatinn of a rugby Super League, thus potentially undermining the valne nf Mr Packer's broadcast contracts of existing Australian Rugby League games.

Basle model for banking safeguards

In the wake of the Barings collapse, the Basle committee has issued new proposals enabling banks to assess their capital needs for trading activities, reports John Gapper, Banking Editor

The Basle committee's plan to allow banks to assess their own capital needs for treding activities using internal computer models would be a bold move at any time.

The fact that it comes in the wake of the collapse of Barings – a bank that used such an approach – makes it even bolder.

Mr Tommasso Padoa-Schioppa, chairman of Basle committee, did not underplay tbe significance yesterday, using tbe analogy of a taxpayer being asked to design his own tax form. "This is a very big development in philosopby," he said, emphasising the safeguards which would be put in place.

Barings' eollapse has highlighted the risks that banks can run from their trading of securities, derivatives and foreign exchange.

Barings, tbe UK merchant banking group, collapsed after Mr Nick Leeson, a Singapore-based trader, amassed £860m ($1.36bn) losses on derivatives trades. Mr Padoa-Schioppa said Barings seemed to have had weak management controls, and the experience was not directly relevant to tbe committee's proposals.

The fact that supervisors are now backing "value at risk" models marks a shift in supervision towards the monitoring of banks' own safeguards.

Mr Padoa-Schioppa said the move was in line with "the way supervision has evolvad over 20 years".

It follows protests over the committee's proposals for allocating capital to market risks two years ago. The proposals were criticised as being crude, and out of line with market practice.

Yet on the face of it, the evidence that such a step is justified is limited. The committee's paper points out that the initial testing exercise last year – which involved 15 large banks running a portfolio of 350 positions through their computer models – produced widely varying results.

Even after adjusting assumptions, only half the responses "fell into a sufficiently close range" while "a significant overall dispersion remained". In other words, banks produced widely varying calculations of how much capital they should set aside to cover the same trading book.

Mr Padoa-Schioppa says this is hardly surprising.

"Perfect unity would neither be possible nor desirable. If we had the right model ourselves, we would have imposed it," he says. He argues that banks have different weightings and assumptions built into models depending on their activities.

Nonetheless, the committee has worked bard to try to avoid the possibility of banks adjnsting their models to reduce the amount of capital they must hold. "The model approach is a novelty in itself, so we must be conservative in the way we introduce it, at least initially," he says.

The committee has two reasons for feeling confident about pushing ahead with the approach:

● Strict standards: Banks' models will have to use a 99 per cent probability that the amount of capital at risk will not be higher than the capital charge, and assume that they have to hold the portfolio for a minimum of 10 trading days before liquidating it, or adjusting its composition.

These standards are higher than those used by some banks, which adopt a 95 per cent probability, and assume that they will be able to adjust the portfolio in a single trading day. The capital charge will be set as the higher of the value at risk on the day, or on any of the preceding 60 days.

● Additional capital: The capital charge that emerges from these calculations will be multiplied by at least three times by the bank's supervisor. This is intended to compensate for the chance of more unstable markets than over the previous year, the "observation period" to be used by banks.

In addition, supervisors will impose a penalty known as a "plus factor" if banks' models turn out to have inaccurately predicted the performance of their actual portfolios. This is meant to compensate for the problem of wbat Mr Padoa-Schioppa calls "driving by using the rear-view mirror".

The intention is to give an incentive to banks to use more sophisticated risk management systems, by saving them the cost of baving to calculate supervisory capital using the standard "building block" approach of the original proposals, as well as allocated real trading capital using models.

Some bankers say supervisors should give a clear incentive to all banks to switch to using models by allowing them to cut their capital charge by so doing.

But Mr Padoa-Schioppa says that tha model approach is "not designed to be less prudant" than the standard approach to be used by small banks.

In return for having to allocate capital to trading – which will now include the trading of commodities and commodity derivatives – banks will be allowed to count a new form of capital within their capital base. This is "tier 3" capital made up of short-term subordinated debt.

Analysts and investors will be able to see a common set of capital adequacy ratios under a new proposal. Banks will be asked to multiply their value at risk figure for trading by 12.5, and add it to their credit risk-weigbted aeeets, thus showing their tntal risk-weighted assets.

The committee faces two problems in getting its approach adopted globally. The first is that it will emerge too late to be harmonised immediately with the European Capital Adequacy Directive, due to come into force next January. Basle proposals will only be implemented two years later.

This means that large European banks face the possibility of having to calculate charges according to the CAD approach as well as according to their internal models.

However, Mr Padoa-Schioppa says he is "confident that a solution can be found" to avoid this problem for the banks.

The second problem is a divide between bank and securities regulators which means tbey will have separate approaches.

Mr Padoa-Schioppa says there is "no possibility of joining forces" at the moment, but he hopes that a solution can be found within tbe two years before implementation.

These issues provide a formidable agenda in themselves for the Basle supervisors. Yet they must also take account of the problem Barings spectacularly demonstrated – that no matter how good a model may be, a bank cannot rely on it to be assured that it is not running unknown risks.

Tha committee bas issued separate guidelines on management principles for derivatives. But supervisors will have to keep reminding banks that that trading models are not a panacea.

"Primitive use of a very sophisticated method may be just as dangerous as a lack of sophistication," says Mr Padoa-Schioppa.

Gain of 20% registered by Océ-van der Grinten

By Ronald van de Krol in Amsterdam

Océ-van der Grinten, the Dutcb photocopier and office equipment maker, said net profit rose by 20 per cent to Fl21.0m ($13.5m) in the first quarter of tbe current year ending November 30.

Turnover rose by 3 per cent to Fl697m, but tbe company said the rise would bave been 8 per cent if had not been for the fall in currencies sucb as the dollar, the pound, tbe lira and peseta against the guilder.

Operating profit was ahead by 8 per cent at Fl46.0m, while financial charges decreased by 3 per cent to Fl20.7m.

Océ-van der Grinten, noting the guilder's recent strength, said it had taken measures, such as price inereases and cost reductions, to try to offset the negative currency effect.

It also expects new products, including four machines recently launched for the office systems and engineering systems markets, to make an increased contribution.

This means that the consequences of currency movements on the expected increase in 1995 profit "will be kept within limits," it said.

UAL overhaul will result in fleet expansion

United Airlines will replace 94 aircraft over the next five years, giving the airline a net increase of 19 aircraft by 1997, said Mr Gerald Greenwald, the US carrier's chairman, AP-DJ reports.

UAL's previous growth plan would have produced a net addition of eight aircraft between now and 1997.

Mr Greenwald criticised the fuel-tax increase that is set to hit the airline industry this October, saying it would cost US carriers $527m a year. At UAL the cost would be $80m.

Kenyan profits hit by 'over-valued' currency

By Michela Wrong in Nairobi

The chairman of Nairobi's fledgling stock market yesterday said an over-valned national currency had caused a sharp fall in profits among Kenya's blue-chip companies. He called on the government to peg the shilling at a lowar level.

Mr Jimnah Mbaru said that after allowing tbe shilling's strength to be determined by supply and demand for the past two years, it was time for a managed exchange rate policy. He recommended stabilising the shilling, quoted on Wednesday at 44 to the dollar, at around 55.

Mr Mbaru said most of the largest companies quoted on the stock exchange had registered profit falls of more than 50 per cent in 1994. They include Brooke Bond Kenya, where profits fell more than 55 per cent, Sasini Tea and Coffee, which saw a 53 per cent drop, and Limuru Tea, where profits plunged 66 per cent.

Mr Mbaru's suggestions are unlikely to convince Mr Micah Cheserem, central bank governor, who this week reiterated he was committed to a market-determined currency.

COMPANY NEWS: UK

Forte cites Meridien buy as year's high spot

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Forte, the UK's largest hotel company, yesterday reported a rise in pre-tax profits in the year to January 31 to £127m, ($203m) an increase of 14 per cent on the previous year's restated £111m.

Sir Rocco Forte, the chairman, said it had been a year of "solid progress" and highlighted November's £280m purchase of the Meridien hotel chain from Air France as giving the company "a significant presence in the international hotels market".

While sales and profits for the year to date were ahead of last year he warned that general levels of demand, particularly from the UK, "are not buoyant". After the statement, Forte shares fell by 4p to 236p, despite a rising market.

Whila occupancies rose at Forte's UK hotels, there was a marked improvement in the performance of London hotels compared with the provinces.

Occupancy at London hotels rose by 6 percentage points compared with the previous year, backed by an increase in average room rates of 8 per cent.

In the provinces, however, the average room rate fell by 1 per cent as occupancy rose by 5 per cent.

Mr Keith Hamill, finance director, said that more volume had been sold during weak periods. "The test is to come this year because we do have to move rates up," he added.

While Forte Posthouse and Travelodge budget hotels performed strongly in the provinces, its Heritage, White Hart and Crest brands trailed behind. Some of these hotels will be sold; Forte said £350m would be raised from asset sales in the next few years.

Performance from international hotels, whicb contributed £26m (on sales of £359m) to total hotel profits of £174m, was mixed. Sales in northern Europe showed marginal improvement while North America was "satisfactory". The strongest performance came from southern Europe and the Caribbean.

Sales at Forte's motorway restaurants increased by 5 per cent to £654m with profits increasing 22 per cent to £82m.

The board recommended an unchanged divided of 7.5p. Earnings per share increased to 10.1p compared with 5.6p before exceptional items last year, or 9p afterwards.

LEX COMMENT

Forte

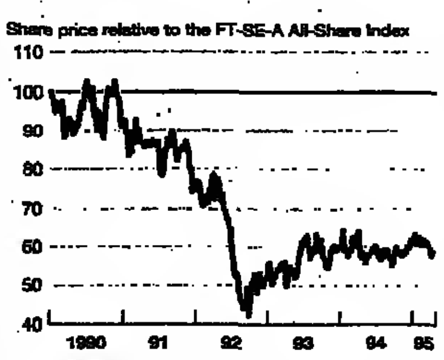
Forte's claim of being "Host to the World" still sounds somewhat hollow, since only 10 per cent of profits come from international hotels, but things are looking up. By buying the Meridien group, it has gained a base and a brand name on which to build an international botel management business, thereby taking some of the cyclicality out of its business. Meanwhile, room yields are picking up across its entire range of hotels, with a particularly strong performance in London.

Of course, hotel companies have a knack of pulling surprises out of their balance sheets; and this time Forte managed a £35m loss on closing out an interest swap contract. In addition, debt remains high, at £1.6bn, and free cash flow of £99m is light, when compared with a £69m dividend pay-out. Nonetheless, the management is making the right moves. It has lined up about £350m of assets for sale, including an assortment of tired, unbranded hotels. These are substantial absorbers of cash. The proceeds from sales, however, will be reinvested in developing a more cash-generative botel management business through minority interests in 5-star properties.

However, under the most optimistic profit forecasts for the year to January 1997, Forte shares are trading et e 12 per cent premium to the market. And accounting changes on deferred tax, and possibly depreciation of freehold properties, could make that premium look higher still. Given such lofty expectations, it could be hard for the revamped management to produce a pleasant surprise.

Forte

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Acquisitions help Smiths to £58m

By Tim Burt

Smiths Industries, the eerospace and healthcare group, yesterday announced a sharp increase in first-half profits, following maiden contributions from new acquisitions and strong organic growth.

The group, which has spent £250m on new businesses in the past two years, saw pre-tax profits rise by 26 per cent from £46m to £58m ($92.8m) in the six months to January 28.

Mr Roger Hurn, chairman and chief executive, said the improvement had been fuelled by new subsidiaries in tbe medical systems and industrial divisions and better-than-expected results from its existing aerospace operations.

"The medical and industrial divisions will continue to drive the business forward, until aerospace sales pick up," ha added.

Sales to civil and military aircraft manufacturers fell slightly from £174.1m to £172.3m, but continued cost-cutting and an 11 per cent cut in the workforce to 4,900 helped lift operating profits to £16.3m (£14.1m).

Although he declined to predict when the aviation industry would pick up, Mr Hurn said Smiths would benefit from the first deliveries of the Boeing 777 later this year and rising military equipment sales in the US.

The division's contribution was overshadowed by the medical side, where profits rose 40 per cent to £26.1m (£18.7m) amid buoyant demand for infusion pumps manufactured by Deltec, the US healthcare equipment company acquired for $150m last June, and improved productivity in the UK.

The industrial division, including companies such as Vent-Axia – the fans and hand driers maker, reported a 38 per cent increase in profits to £16.1m (£11.7m) following gains from new subsidiaries such as Tutco, the US heating element company, and Dura-Vent, the US ducting business.

Buds of European expansion

Roderick Oram looks at Anheuser-Busch's move into UK brewing

The Stag Brewery was worth more dead than alive, many Britisb brewers believed, yet Anheuser-Busch, the world's biggest beer producer, yesterday made it a foundation stone of its European strategy.

Sitting on e choice site near the River Thames at Mortlake, south-west London, the brewery seemed like an ideal candidate for closure. Such a demise would help take excess brewing capacity out of the UK industry and generate property profits for the seller.

But for Busch the brewery has considerable appeal, particularly its experience making Budweiser lager to its exacting specifications. UK brewing of Bud started in 1984 under licence in Halifax, but was transferred to Mortlake in 1986.

"It produces good beer and we know the people well," says Mr Christopher Stainow, managing director of Anheuser-Busch European Trade.

All the barley and rice for the beer is imported from the US whila hops come from Europe and the US. Beechwood chips, unique to Bud, also come from the US. The chips help keep the yeast in suspension to prolong fermentation.

The brewery's sole product is Bud with an output "in excess of 1m hectolitres – 800,000-900,000 barrels – a year", says Mr Martyn Turner, the Busch brewmaster at Mortlake. He will become production director when Busch takes management control next month. The joint venture board will have three Busch members and two Courage.

All Bud sold on the Continent comes from Mortlake, although Guinness also brews it under licence for the Irish market. Analysts believe that Mortlake exports about 500,000 barrels of Bud a year, with some of it packaged abroad by partners such as Peroni, the Italian brewer.

"We will continue to build that up by working with the best local partners," Mr Stainow says. "We aim to make Budweiser a key player in every single market."

But for Busch tbe crown jewel of European brewing, Budejovicky Budvar, remains as elusive as ever. American Bud derives its name from the Czech brewer of Budweiser. Busch wants e stake in Budvar to cement relations and clear up a trademark dispute hampering Busch's development in some markets. But Czech feelings are running atrongly against a deal.

A European thrust is only part of Busch's wider international strategy. Like other US brewers it came late to foreign markets, only moving beyond the US in 1981 with a licensed brewing agreement in Canada.

It has a two-pronged strategy of building Budweiser into an international brand and of building a portfolio of equity investments in leading foreign brewers and foreign brands.

Its investments have spread rapidly through central and south America and Asia, but half its international volume comes from three markets: the UK, Japan and Canada.

The brewery is running close to its current open capacity, but production could rise by about 50 per cent by reopening mothballed plant at minimal expense, Mr Turner says.

Downstream, Busch will inveet immediately, however, in a bottling plant on the site while cans and kegs will continue to be filled at Courage's Reading brewery.

But Busch chose to leave unanswered yesterday a lot of questions about the financial structure of the joint venture and its strategy.

The brewery remains the property of Courage, which only leases it to the 50:50 joint venture. If, as widely expected, Courage is sold soon to Scottish & Newcastle, S&N would become the brewery lessor and joint venture partner.

Busch has veto power over who is its partner, but it would seem highly likely that S&N was fully informed of yesterday's deal.

Busch says it wants to work with local partners, but Courage and S&N will have to prove their worth or Busch might take even more control over its European destiny.

CONTRACTS & TENDERS

LEGAL NOTICES

HUNT & CO COUNTRYWIDE PLC
REGISTERED NUMBER: 2609514
HUNT & CO (SOUTHERN) LIMITED
REGISTERED NUMBER: 2739229
HUNT & CO (NORTHERN) LIMITED
REGISTERED NUMBER: 2879066
Nature of business: The granting of legal agency franchises
Trade classification: Division 7, 38
Date of appointment of administrative receivers: 6 April 1995
Name of person appointing the administrative receivers: Barclays Bank plc
N MURDOCK Office holder number: 6877 of
ROBSON RHODES
The Galleria, Station Road, Crawley, West Sussex RH11 2HT and
N H COOPER Office holder number: 5399 of
ROBSON RHODES
186 City Road, London EC1V 2NU
Joint Administrative Receivers

PERSONAL

COMPANY NEWS: UK

Target urges shareholders to reject 'mere 25p' increase

Gehe lifts AAH offer to 445p

By Peter Pearse

Gehe, the German pharmaceuticals wholesaler bidding for AAH, yesterday increased its hostile offer almost 6 per cent from 420p to 445p a share and declared it final.

Shares in the UK pharmaceuticals wholesaler and distributor closed at 442p after a 7p rise on the day.

AAH sniffed at the "mere 25p increase", maintaining its description of the revised offer as inadequate and opportunistic. It urged shareholders to reject it.

Gehe said its increased offer, which values the target at about £400m ($640m), represented a 44 per cent premium over AAH's 309p share price on February 24, the day before the initial bid was launched.

Analysts suggested that yesterday's offer was not as high as had been expected – some had anticipated as much as 470p. But a more common feeling was that 445p was "cleverly pitched" and "canny", in the light of AAH's defence.

Gehe also announced that Cazenove had bought on its behalf some 12.4m AAH shares. The German company now speaks for 16m shares, about 17.8 per cent of the target's equity.

It is thought that up to a further 10 per cent of the UK company's shares could be regarded as "loose" and therefore buyable.

The outcome rests, however, on the larger shareholders. PDFM holds 17.2 per cent, Schroders 7 per cent, Threadneedle Asset Management 5.5 per cent and Newton Investments about 3 per cent.

As yet there is no evidence of other bidders, although they would have until May 2 to enter the fray. AAH said it had not so far sought a white knight.

Analysts reckoned there was only a slim chance of a second bidder.

The revised offer contained a loan note alternative.

Le Creuset 8% ahead to £3.24m

Le Creuset, the housewares manufacturer based at Fresnoy-le-Grand, France, but quoted on London's USM, reported a 7.7 per cent expansion in 1994 profits following record sales growth across its activities.

Turnover was £45.1m (£40.7m), including £1.75m from acquisitions. Pre-tax profits, helped by a reduced interest burden, improved from £3.01m to £3.24m.

Gross profit margins dipped from 47.5 per cent to 45.6 per cent, reflecting redundancy costs of £363,000, a strong French franc and continued weakness in the French barbecue market.

Sales for the first quarter were ahead of the same stage of 1994 and the trend was expected to continue.

German boost for RMC

By Andrew Taylor, Construction Correspondent

RMC Group, the world's largest concrete producer, increased pre-tax profits by 59 per cent to £283m ($453m) in 1994 helped by another strong performance in Germany and a recovery in the UK.

However, Mr Jim Owen, chairman, warned that progress would be slower this year. "The recovery in the UK is showing signs of levelling and growth in Germany and the US will be somewhat lower. Nonetheless the group anticipates a further improvement in its overall performance."

Germany accounted for 54 per cent of operating profits, which rose by almost £100m to £317m. German profits, excluding a former lime business which has been transfered to an associate, rose by 23 per cent to £172.9m.

Eastern Germany, where the company has spent £500m on one of Europe's biggest and most modern cement works, accounted for 27 per cent of German turnover but a lower proportion of profits.

Mr Owen said cement prices in eastern Germany had been held back by domestic over-capacity and imports, particularly from Poland. The region, however, was expected to be one of Europe's busiest construction markets for at least another decade. As a result of its investment in the Rudersdorf plant, near Berlin, RMC would be a leading beneficiary.

Construction activity last year rose by 4 per cent in western Germany but by more than 20 per cent in the east.

RMC has taken advantage of German tax incentives to encourage investment, maintaining its tax rate at 27.7 per cent (25.9 per cent), against 36 per cent two years ago.

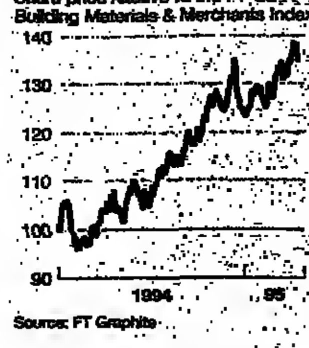
On turnover up by just more than a third, Germany generated almost 2½ times more profit than the UK, which lifted its contribution from £34m to £71.6m, helped by sharp increases in building material and volume sales.

Continental European profits, excluding Germany, rose from £19.2m to £45.8m.

Profits outside of Europe, mainly from the US, recovered from £18.7m to £26.7m.

RMC

Share price relative to the FT-SE-A Building Materials & Merchants Index



Source: FT Graphite

■ PHARMACEUTICALS – By Jenny Luesby

Glaxo acquisition in the limelight

Results season

Round-up

It has been acquisitions and disposals that have held the eye in the pharmaceuticals sector, rather than the moderate improvement in annual results.

Glaxo's £9.2bn bid for Wellcome saw the latter deliver its annual results nearly a month early in an effort to attract a better offer. The device failed, but the results were among the best in the sector, with an 11 per cent sales increase lifting pre-tax profits 6 per cent – despite an exceptional charge to set up a joint venture with Warner Lambert in over-the-counter medicines in the US.

Glaxo's own performance was also fairly strong, with its half year results to December 31 revealing subdued sales growth, which translated into a 10 per cent rise in profits.

Apart from the acquisition, however, such results excited the market very little. And the conclusion of the deal left opinion divided over whether it could release the kind of savings promised.

Nor were these the only results to be overshadowed by corporate activity. Under the stewardship of new its chief executive, Mr Stuart Wallis, Fisons set about unravelling itself, in an effort to release some shareholder value.

Restructuring costs and a goodwill write-off on the disposal of its scientific instruments division, produced a pre-tax deficit of £463.7m, just ahead of the announcement that it was selling its research and development side too. However, the market seemed pleased with the £202m for each of the disposals.

The shares have still underperformed the sector by more than 5 per cent in the last 12 months, but their rise has been marked and constant since the end of January.

The market was disappointed with SmithKline Beecham, however. The problem was not the degree to which the company's pre-tax profit was depressed by exceptional charges, but the low level of underlying growth.

This came as something of an anti-climax after the frenetic acquisitions and disposals of last year, and was interpreted as evidence that the company was still in transition, rather than transformed.

Zeneca's results were also held back by exceptional charges, but it benefited, as expected, from improved markets for agrochemicals and speciality chemicals.

One of the few companies to surprise was Medeva, with the take-off in sales of its methylphenidate treatment for attention disorders fuelling a 39 per cent increase in pre-tax profits.

But, while most of the results were received with equanimity, the sector's shares had been recovering since the middle of last year. Key patent expiries have not hit revenues as hard as had been feared, and drug sales, generally, have accelerated.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
AG	6 mths to Jan 31	13.5	(8.02)	1.16	(1.2)	4.2	(4.5)	2.25	July 3	2.25	-	5.5
Alexandra Workwear	Yr to Jan 28	61.6	(58.5)	4.3	(4.6♥)	8.4	(9.5)	3.7	June 30	3.5	6	5.6
Beckman (A)	6 mths to Dec 31	8.59	(10.4)	0.228	(0.507)	1.14	(2.9)	1	June 12	1.2	-	3.58
Bloomsbury Publishing	Yr to Dec 31	9.69	(8.53)	0.849	(0.455)	11.46	(12.72)	2.64	May 26	-	2.64	-
Chelsfield	Yr to Dec 31	21.9‡	(13.7‡)	10.2	(3.2)	5.4	(4.1)	1.5	June 2	-	2.5	-
Eurovein	3 mths to Jan 31	6.69	(-)	0.221	(-)	1.6	(-)	0.51	May 31	-	-	-
Forte	Yr to Jan 31 ☆	1,789	(2,106)	127	(111♥)	10.1	(9)	4.75†	July 3	4.75	7.5	7.5
Goldsmiths	Yr to Jan 28 ★	53.1	(44.6)	3.16	(1.55)	11.03	(5.11)	2.2	July 3	1	3	1
Hawtal Whiting	Yr to Dec 31	79.9	(69.6)	3.17	(0.761)	20.8	(2.2L)	2.5	Aug 14	nil	2.5	nil
Jerome (S)	Yr to Dec 31 ☆	26.6	(25.3)	0.725	(0.335L♠)	9.2	(3.8L)	1	June 6	0.3	1.5	0.5
Le Creuset §	Yr to Dec 31	45.1	(40.7)	3.24♠	(3.01)	14.1	(13.4)	0.45♦	June 20	0.44♦	0.45♦	0.44♦
Martin Intl	Yr to Dec 31	90.4	(85.4)	0.705	(2.25L♠)	1.4	(9.4L)	0.65†	July 3	0.6	1.1	0.93
Nurdin & Peacock	Yr to Dec 30	1,540	(1,403)	16.5♠	(32.1)	9	(17.6)	4.74	-	4.44	6.6	6.5
Riva §	Yr to Dec 31	58	(54)	0.61L♥	(2.19L)	1.5L	(6.6L)	nil	-	nil	nil	nil
RMC	Yr to Dec 31	4,156	(3,508)	283.3	(177.8)	68.6	(39.4)	16	May 30	14.4	23	21
Saltire	Yr to Dec 31 ☆	178.1	(179.4)	2.82♠	(5.55♥)	3.62	(2.56)	nil	-	nil	nil	nil
Smiths Industries	6 mths to Jan 28	411.2	(351.3)	58	(46)	13.1	(10.4)	5.05	June 2	4.5	-	13
Tudor	Yr to Dec 31	17.9	(17.7)	0.111	(0.865L)	1.03	(7.56L)	0.5	July 4	0.25	0.5	0.25

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
RCG Lloyds	Yr to Dec 31	92.2	(101.3)	1.97	(0.199)	3.02	(1.19)	1.9	July 3	0.3	2.9	0.3
New City & Comm	Yr to Jan 31	105.4	(161.46)	0.559	(0.574)	4.411	(4.544)	2.85	June 9	2.8	4.15	4.1

Dividends shown net. Figures in brackets are for corresponding period. ‡Net income from properties. ☆Comparatives restated. ★Comparatives for 11 months. ♥After exceptional credit. ♠After exceptional charge. †On increased capital. §USM stock. ♦French francs.

Vickers in £32m Finnish purchase

Vickers, the engineering group, has bought Aquamaster-Rauma, the Finnish marine propulsion systems supplier, from Finnyards for £32m ($51m) cash.

In a separate transaction, Vickers has also acquired Aquamaster's land and buildings for £2.9m.

Vickers said Aquamaster-Rauma products would complement those of its Swedish subsidiary, KaMeWa.

The net asset value of Aquamaster and its subsidiaries, excluding its land and buildings, was £14m on December 31 1994. Its operating profits for the year were £4.5m on sales of £35.8m. Vickers plans to retain its 226 employees.

RTZ schemes

RTZ, the world's biggest mining company, has replaced its two main incentive schemes for executive directors with plans that link the interests of directors more closely with those of shareholders.

The new schemes link directors' rewards to total returns to shareholders and to performance against other companies. "Total shareholder return is arguably the most appropriate index of performance, as it combines both share price and dividend payments," RTZ says in its annual report.

The performance of RTZ over four years is assessed partly by comparing total shareholder return with that of 15 international mining companies. Return is also measured against that of the top 48 companies quoted on the London Stock Exchange, as rated by the Financial Times.

The schemes also aim to develop executive share ownership by insisting that a big part of any bonus is paid in RTZ shares, bought in the market to avoid dilution and retained for three years.

Buckingham plan

Buckingham International, the property and hotels group, has requested a further extension in connection with its support plan.

The heavily indebted group said that as a result of delays in the refinancing of its US hotels portfolio and its disposal programme, it had proposed that current funding arrangements be extended.

The group added that the repayment of its existing bank debt, a pre-condition of the nominal offers by Purlieus and its associates, would not occur before April 30.

Last month Buckingham won an extension of its support plan until the end of April. The plan relies on a series of disposals to cut debt.

Reckitt loses

A court yesterday sentenced Mr Lukas Beyeler, chairman of the French operations of Reckitt & Colman, the household products group, to a one-year suspended prison term following the explosion of one of its aerosol products, causing injury to a customer. A FFr2m ($400,000) compensation order was also made.

Reckitt & Colman said it would appeal. "The facts have still not been established" and no proof was presented to the claim of negligence, it added.

هكذا من الاصل

COMMODITIES AND AGRICULTURE

BHP wrings 12.4% coal price rise from Japanese

By Nikki Tait in Sydney

BHP Australia Coal, which has been leading the annual round of coal contract negotiations between Australian producers and their key Japanese customers, announced yesterday that it had won a 12.4 per cent price increase – but only at the expense of a sizable volume reduction.

The price increase, the first for five years, applies to hard coking coal and will cover the contract year that began on April 1. Prices will increase by US$5.65 a tonne and range from $51.10 for Goonyella coals to $46.20 a tonne for Blackwater.

The price benefit will be partly offset, however, by a cut in the tonnages of hard coking coal to be supplied by BHP-managed mines, from 7m tonnes to 5.8m. Mr Geoff Lill, marketing manager for BHP Australia Coal, said that some volume increase had gone to Canadian suppliers who are thought to have settled at lower prices. The mills were also increasing the proportion of weak coking coal used – prices for which have yet to be settled.

BHP also admitted, in a formal statement, that the hard line on pricing brought penalties on the volume front: "It must be acknowledged that the stance taken on price was a contributing factor in volume reduction", it said.

The 1994-95 rise comes after four successive years of falling prices and has taken five lengthy negotiating sessions to achieve. The 1993-94 outcome – a price cut of of around 9 per cent – led to protest stoppages by mineworkers and prompted a government-instituted inquiry into coal industry marketing.

Partly as a result of this, there was heavy political and union pressure on the Australian producers to seek a price rise around the $6 a tonne level this time. The suppliers' hand was strengthened, however, by recent European settlements and the improving market.

Reaction to the settlement was broadly favourable in Australia, where coal is the largest single export, although there were concerns about the extent of the tonnage penalities that may become evident as more producers disclose agreements. BHP shares closed 16 cents higher, at A$19.32, and Mr David Beddall, federal resources minister, estimated that the settlement would add at least A$120m to export income. If the settlement was repeated for all coal exports – including thermal and semi-soft coals – the total boost to coal exports could be around A$1bn.

However, there were indications that the price rise might lead to increased wage pressure. "Since the increase was a relatively significant 12.4 per cent, we believe we're entitled to see some benefit come to the mine workers who have made a significant contribution over the last number of years," commented Mr John Maitland, president of the Construction, Forestry, Mining and Energy Union.

Oil market run up continues

By Robert Corzine

The recent run up of oil prices continued yesterday, although signs of profit taking emerged in late trading.

At one point yesterday the price of the benchmark Brent Blend for May got within three cents of the psychologically important $19-a-barrel barrier. It fell to around $18.85 in late London trading, 23 cents up on Tuesday's close of $18.63. But that was still about $2 above its level in mid-March.

Traders yesterday said demand still appeared to be strong. Brent prices were also underpinned by predictions of a sharp fall in North Sea supplies in May because of the advent of the spring maintenance programme.

There were also signs of continuing strong demand for gasoline in the US, the main factor which drove up prices last week. Some traders also detected an increase in speculative buying, with some hedge funds reported to have entered the market.

Poland may find the CAP a tight fit

James Harding on problems that membership of the EU could bring

European integration so far has not been kind to Mr Zygmunt Savka. The Polish farmer from Zatory used to own seven cows, now he has five. Falling local dairy prices, a symptom of exposure to European competition, have forced him to trim his herd. "The plan now," he says, "is just not to surrender."

Mr Savka's survival, and that of the 2.1m other private farms with an average size of six hectares in Poland, may be his unwitting revenge on the European Union.

As Poland presses for membership of the European Union by 2000, applying the EU's farm subsidies and rules to limit production to the country's small farms is forecast to prove so unworkable and uneconomic that it could force reform of the EU's common agricultural policy.

Mr Franz Fischler, EU agriculture commissioner, visited Poland last weekend to give his first assessment of the problems – peasant farming is only one – of integrating central European agriculture into the EU. At this stage, he is keeping an open mind. The CAP as it stands could be extended to Poland, he says, but "the policy should be evolutionary", leaving the door open to reform. He promises detailed analysis of possible policies to accommodate central Europe by October.

One of the most hotly contested issues is how the CAP distorts the European market for agricultural produce with its system of support payments and compensation for farmers.

Privately, he concedes that "in the medium to long-term it will not be possible to maintain payments to farmers simply under the heading of compensation". He envisages more social payments, related to environmental performance or community need, rather than market intervention.

Mr Fischler denied press reports that Poland could join the EU by 2000. A commission official said it was working towards enlargement around 2005.

How the CAP would accommodate Poland's small farmers Mr Fischler did not say.

Professor Allan Buckwell, agricultural economist at Wye College, University of London, and author of a commission paper published in January arguing that the CAP could not survive enlargement, told the same meeting in Warsaw that regardless of the cost, implementing the EU's farm rules would be difficult.

Implementing the CAP would mean imposing on the large number of peasant holdings milk and production quotas, the reference numbers for beef and sheep and base areas for oilseeds and cereals to which set-aside rules limiting production apply. It would not only be "an unwelcome constraint on the development of Polish agriculture", but also possibly more than the country's administrative capacity could cope with.

The Polish government believes the problem will go away. The ministry of agriculture forecasts that by 2000, only 600,000 of the 2.1m will be farming commercially. Some will have leased their land, the ministry says, others will be producing for personal consumption only and others will have taken up rural non-agricultural jobs and be "farming their gardens" as a secondary occupation.

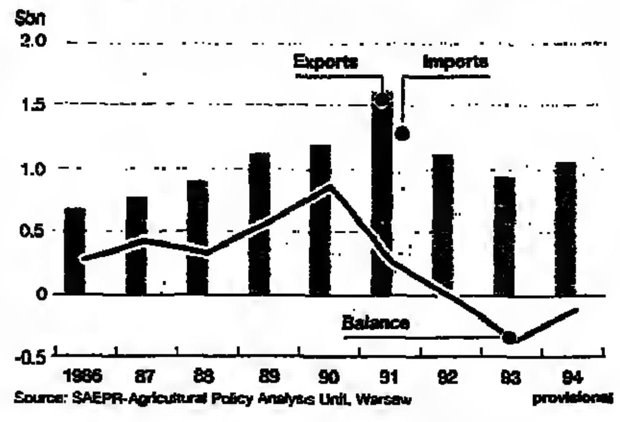
Western diplomats in Warsaw, however, have their doubts. They question the ministry's capacity to create the 1.5m jobs in rural areas they say are needed. "The figures for the decline of the peasant are there to flatter Brussels and have little bearing on reality," said one.

Certainly, Mr Savka has no plans to go away. For three generations his family has cultivated the same land and it is his life's work. Anyway, he says, "I would never find a buyer for this farm as a going concern".

Mr Andrej Prusinowski, director of the local distribution centre for seed, fertiliser and pesticides, believes that in five years only 100 of the 1,000 small farms in the area will have disappeared.

"These are the people who resisted 40 years of communism to keep working their small farms," he says, implying that what was enough to buckle Stalin's grand plans for collectivisation may be sufficient at least to dent the CAP.

Polish agricultural and food trade with the EU



Source: SAEPR-Agricultural Policy Analysis Unit, Warsaw

Frost could reduce US wheat production

By Laurie Morse in Chicago

A killing frost in the major hard red winter wheat growing regions of the US may trim overall US wheat output by nearly 3 per cent, although actual freeze damage will not be obvious for at least another week, according to agronomists here.

Prior to the frost the US was expected to produced 2.45bn bushels of wheat this summer and autumn.

Large areas of western Kansas and northern Texas and Oklahoma were hit by freezing temperatures on Monday night and Tuesday morning. It was cold enough in some areas to kill tender wheat shoots, which were about two weeks ahead of their usual development because the southern US had had a mild winter. Wheat is planted in the autumn on the southern plains and is generally harvested in June.

Hardest hit were the high-production areas of southwestern Kansas, where even if some plants recover, crop loss is estimated at about 10 per cent.

"It will be several weeks until we fully understand the damage," said Mr Daniel Basse, research director at the agricultural consulting firm AgResources. "Even if the shoots are damaged, the plants have the capacity to put out new tillers."

Nevertheless, news of the frosts helped to lift wheat futures prices for July delivery at the Chicago Board of Trade by more than 11 cents a bushel since Friday's close. At midday yesterday the contract was trading at $3.54¾ cents a bushel.

Also supporting US wheat prices are expectations that the US Department of Agriculture will award another 1m tonnes of whaat export subsidies to China. That country has already purchased 4m tonnes of US wheat this year and is expected to use the new subsidy award almost immediately to secure new-crop supplies.

In a crop report issued on Tuesday, the USDA said the country's stocks of soyabeans would dwindle to 435m bushels before the next harvest, down sharply from the 510m it forecast last month. Traders said robust US soya exports were expected to reduce that figure further, to about 375m bushels.

Soyabean futures prices rallied by 5¼ cents to $6.01½ a bushel in response to the news, although further price increases were expected to be tempered by large harvests in Argentina and Brazil. "The US carryover is falling, but world inventories are huge," one trader said.

In the same report the USDA adjusted downwards its projection for ending stocks of US maize to 1.588bn bushels, while raising export projections. US maize exports are up 50 per cent on last year's, but because of a large harvest, stockpiles are also up sharply. Because of the surplus, the USDA projected that farmers would receive an average price of $2.25 a bushel for maize this year, 25 cents below last year's average.

Idaho silver mines ready for resurrection

By Kenneth Gooding, Mining Correspondent

Idaho's silver mines, forced to shut in 1991 because of collapsing prices, are likely to be restarted next year, according to Mr Dennis Wheeler, chairman of Coeur d'Alene Mines.

He said in London yesterday that the mines needed a sustained silver price of more than US$6 a troy ounce to be viable but the fundamental supply and demand picture for the metal gave him "confidence in an upward direction for the silver price".

He pointed out that in the past three years, as excessive silver stocks were absorbed, the price had risen from an annual average of $3.92 to $5.28 and ounce. Last night silver closed in London at $5.345.

Mr Wheeler said the Idaho mines, the Coeur and the neighbouring Galena, were in first-class shape and could be reactivated within 90 days. The mines are now owned by Silver Valley Resources, a new company Coeur d'Alene jointly owns with Asarco, the US copper producer.

The companies plan a $25m exploration and development programme once a decision to reactivate the mines is taken.

The Coeur mine produced 2.1m ounces of silver in its last full year of operation and the Galena produced 3.3m at an average cash cost of $4.50 an ounce.

● According to the latest Silver Survey by the New York-based CPM Group, fabrication demand for the metal rose by 3.9 per cent in 1994 to 665.5m ounces while total supply of newly-refined metal – mainly as a by-product of other metal mining – fell for the second year in succession, by 1 per cent to 469.8m ounces.

Silver Survey 1995: $30 from CPM Group, 71 Broadway, Suite 905, New York, NY 10006.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1842-3	1862-3
[illegible]	[illegible]	[illegible]

■ ALUMINIUM ALLOY ($ per tonne) [illegible]

■ LEAD ($ per tonne) [illegible]

■ NICKEL ($ per tonne) [illegible]

■ TIN ($ per tonne) [illegible]

■ ZINC, special high grade ($ per tonne) [illegible]

■ COPPER, grade A ($ per tonne) [illegible]

■ LME AM Official £/$ rate [illegible]

■ HIGH GRADE COPPER (COMEX) [illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET [illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	390.3	-0.1	390.8	389.4	316	82
May	391.4	-0.4	-	-	450	334
Jun	392.7	-0.3	393.9	392.4	97,139	23,278
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) [illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.) [illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel) [illegible]

■ CRUDE OIL IPE ($/barrel) [illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.) [illegible]

■ GAS OIL IPE ($/tonne) [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.) [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	116.65	-0.25	117.75	115.80	1,925	242
Jul	117.60	-0.20	118.75	117.80	738	67
Sep	102.75	-0.05	103.20	102.75	354	44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel) [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel) [illegible]

■ BARLEY LCE (£ per tonne) [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb) [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton) [illegible]

■ POTATOES LCE (£/tonne) [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point) [illegible]

Nuts and Seeds [illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	934	+10	935	928	18,789	872
Jul	960	+13	963	962	21,006	1,557
Sep	980	+12	981	974	17,222	574
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes) [illegible]

■ COCOA (ICCO) (SDR's/tonne) [illegible]

■ COFFEE LCE ($/tonne) [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) [illegible]

■ COFFEE (ICO) (US cents/pound) [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) [illegible]

■ WHITE SUGAR LCE ($/tonne) [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs) [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs) [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs) [illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100) [illegible]

■ CRB Futures (Base: 1967=100) [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	67.525	-0.400	67.950	66.750	12,848	8,378
Jun	62.300	+0.375	62.500	61.200	30,618	10,758
Aug	60.125	+0.500	60.400	59.200	11,388	3,180
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	41.950	+0.050	41.300	40.850	3,524	196
Feb	41.875	+0.050	41.900	41.400	1,108	41
Total					27,273	5,917

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
May	42.200	+0.875	42.800	40.750	3,234	1,035
Jul	42.225	+0.925	42.525	40.850	2,719	638
Aug	39.950	+0.800	40.650	38.025	736	124
Feb	51.250	+0.025	51.300	51.250	163	1
Mar	50.100	-	-	-	18	9
Total					6,871	1,798

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jul	Oct	Jul	Oct
1850	119	155	97	140
1900	96	133	123	167
1950	77	114	153	196
■ COPPER (Grade A) LME	Jul	Oct	Jul	Oct
2850	118	67	55	128
2900	91	68	78	158
2950	68	53	102	191
■ COFFEE LCE	May	Jul	May	Jul
2950	141	231	9	154
3000	101	206	18	179
3050	67	182	34	205
■ COCOA LCE	May	Jul	May	Jul
925	13	61	9	26
950	7	48	22	36
975	2	35	42	50
■ BRENT CRUDE IPE	Jul	Oct	Jul	Oct
1650	157	134	11	45
1700	115	103	24	64
1750	85	77	39	88

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)		+or-
Dubai	$17.65-7.73q	+0.15
Brent Blend (dated)	$18.81-8.85	+0.225
Brent Blend (May)	$18.81-8.85q	+0.305
W.T.I. (1pm est)	$19.84-9.87q	+0.05

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$197-198	+3.0
Gas Oil	$160-161	-1.0
Heavy Fuel Oil	$108-110	+3.0
Naphtha	$167-168	+0.5
Jet fuel	$177-178	-1.0
Diesel	$163-164	

Petroleum Argus. Tel. London (0171) 359 8792

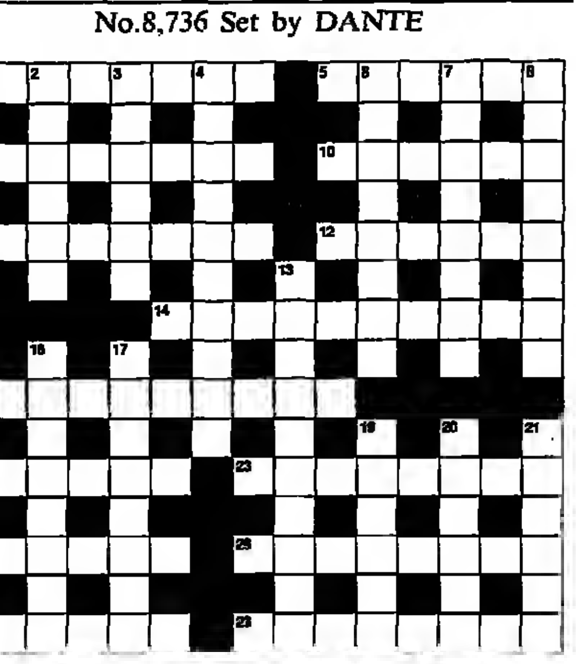
■ OTHER		
Gold (per troy oz)♣	$380.10	-0.30
Silver (per troy oz)♣	534.50c	+1.00
Platinum (per troy oz.)	$449.50	-0.50
Palladium (per troy oz.)	$171.85	+0.85
Copper (US prod.)	143.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	14.40m	-0.01
Tin (New York)	276.50c	
Cattle (live weight)†	123.13p	-0.78*
Sheep (live weight)†♠	130.75p	-2.52*
Pigs (live weight)†	89.25p	-0.94*
Lon. day sugar (raw)	$343.0	-9.5
Lon. day sugar (wte)	$360.0	-4.5
Tate & Lyle export	£329.0	-6.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (May)♥	N/A	
Rubber (Jun)♥	N/A	
Rubber (KL RSS No1)	466.5m	-1.5
Coconut Oil (Phil)§	$815.0y	
Palm Oil (Malay.)§	$652.5z	+2.5
Copra (Phil)§	$403.0u	+6.0
Soyabeans (US)	£170.5u	
Cotton Outlook'A' Index	114.20c	+1.30
Wooltops (64s Super)	525p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Apr/May z Apr. y Jun/Jul. q May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,736 Set by DANTE



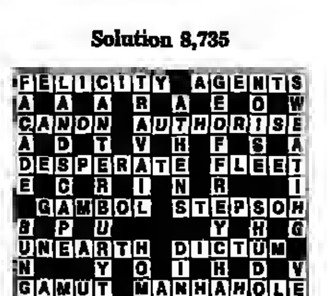
ACROSS

1 Trial trial (4-4)
5 Climbed – then peeled off (6)
9 Useful for cracking the surface before a dip at breakfast time (3,5)
10 Fine at first, then harsh and cold (6)
11 Girl thought to be like Queen Victoria (8)
12 Bunk given to a big lady (6)
14 Pipe bursts each summer (10)
18 Becoming uniform for a social occasion (7,3)
22 Rows of pictures (6)
23 Nowadays, treat it as comparable with plenty (8)
24 A woodman at play? (6)
25 Repeated invitation to adopt a more reasonable attitude (4,4)
26 Number of the French in uniform (6)
27 Game lays round for use by the cook (8)

DOWN

1 Bound to have a prior engagement (4,2)
2 Remarkabla piece of railway equipment (6)
3 Company show displeasure with failure to accept responsibility (3-3)
4 Rock group that's been around for a long time (10)
6 Prevalence of money (8)
7 Colour acquired by using a sun lamp? (5,3)
8 TV's pop group (4,4)
13 Land and labour required for a foundatioo (10)
15 Arch-supporter of comic policeman (8)
16 She confuses people about a couple of points (6)
17 One interested in film can see it develop (8)
19 Cry out – to the police? (6)
20 Promise the old man a part (6)
21 Revolting subjects (6)

Solution 8,735



INTERNATIONAL CAPITAL MARKETS

Treasuries recover after lacklustre start

By Lisa Branstan in New York and Martin Brice and Richard Lapper in London

News that consumer prices were slightly weaker than expected failed to cheer the bond market yesterday morning, but short covering and signs of declining car and truck sales helped lift prices later in the morning.

Near midday, the benchmark 30-year Treasury was up 1/8 at 103 1/16 to yield 7.364 per cent. At the short end of the market, the two-year note was up 1/32 at 100, yielding 6.606 per cent.

In early trading, the long bond lost more than a quarter of a point, in spite of a Labor department release tbat showed the overall consumer price index up 0.2 per cent from February to March and tbe core index – which excludes the volatile food and energy components – up 0.3 per cent. The consensus economic forecast was for increases of 0.3 per cent in both categories.

More positive for the market was news, released mid-morning, that car and truck sales had fallen 13.1 per cent in the first 10 days of April. That was the worst 10-day sales rate in more than three years, according to CNW Marketing/Research, the firm that produced the study.

Buoyed by that news, bond prices bounced back up near levels reached late Tuesday. Also helping prices recover was buying by traders seeking to cover short positions.

GOVERNMENT BONDS

Some of yesterday's market activity was driven by traders working to square ont positions ahead of the long weekend.

The market will shut early today and is closed on Friday in observance of Good Friday.

Bonds also received support from the dollar, which posted modest gains against the D-Mark and the yen.

Near midday, the US currency was changing hands for DM1.4027 and Y83.99, compared with DM1.4015 and Y83.60 late Tuesday.

■ Germen government bonds stayed in range-trading limits yesterdey, as volumes continued to diminish ahead of the Easter break. The market is closed tomorrow and Monday.

Bunds were unmoved by data from the US on consumer prices, and the results of the Bundesbank's variable-rate repo, at which the lowest accepted rate was 4.50 per cent.

On Liffe, the June 10-year futures contract was around 92.37 in late trading, up 0.31. Traders expect June bunds to stay in a range of 92.00 to 92.50.

■ UK government bonds were squeezed up in low volumes yesterday.

Any money coming in to the market was staying at the short end, said one trader. Big investment decisions were on hold until after today's retail price figures, which some analysts suggest might come in slightly stronger than expected.

The average earnings data was largely in line with expectations, with a avarage increase in the year to February of 3¾ per cent. Jobs data suggested the tightening in the labour market was easing off, as the March fall in unemployment of 20,500 was less than expected and the smallest fall since July last year.

Mr Don Smith at HSBC Markets said the data underlined the disinflationary nature of the labour market climate, and eo provided eoms comfort ebout longer-term inflation prospects.

On Liffe, the June 10-year futures contract was around 103.26 in late trading, up 0.14. The spread of the the 10-year benchmark gilt over bunds was around 146, virtually unchanged from 147 the day before.

■ Italian government bonds edged up as investors waited for the result of talks between the government and trada unions on pension fund reform.

On Liffe, the June 10-year futures contract was around 94.02 in late trading, up 0.15. The spread of the benchmark bond over bunds was 631, shifting out slightly from 629 of the day before.

■ In Sweden, the markets brushed off news of increases in lending and deposit rates by the Riksbank. The rises had already been discounted by recent price moves, said dealers.

Yields on five-year paper fell 6 points to 10.78 per cent, and yields on 10-year bonds fell seven basis points to 11.32 per cent.

The yield spread over the bund narrowed one basis point to 422, according to J.P. Morgan.

The market is waiting for today's consumer price index figures for March and is expecting an increase of 0.4 per cent, implying a 12-month rate of 3 per cent. There is some concern inflationary pressures could lead to further increase in interest rates.

Mr Michael Burke, senior economist with Citibank, is bearish about longer-term prospects and expects yialds to increase. "All the negatives for a bond market will be there. Higher short rates, further currency depreciation, rising inflation and a high level of outstanding overseas debt."

Merrill Lynch brings $300m yankee for Santander

By Antonia Sharpe

New issue activity in the eurobond market ground to a balt yesterday as tha long Easter weekend approached.

By contrast, there was some further issuance in the yankee bond market – the US domestic bond market for foreign borrowers.

Merrill Lyncb arranged a $300m offering of 10-year yankee bonds for Santander, the Spanish bank.

The spread on the subordinated bonds was set at 85 to 88 basis points over the yield on 10-year Treasuries.

Santander's offering followed a yankee deal on Tuesday for Carter Holt Harvey, the New Zealand forestry group. The $300m offering was divided equally into seven-year and 20-year bonds and was priced to yield 67 basis points over treasuries.

Syndicate managers said more issuance was likely in the yankee market, which offers better opportunities than the eurobond market to issuers with lower credit ratings.

INTERNATIONAL BONDS

Trading in the secondary eurobond market was slow yesterday and the usually-active rumour mill was also quiet.

Apart from old chestnuts such as jumbo issues from Glaxo and Belgium in D-Marks, the only new speculation was that PepsiCo was considering a five-year eurobond offering in D-Marks. However, syndicate managers said that the lack of arbitrage opportunities would make it difficult for PepsiCo to meet its sub-Libor funding targets.

Traders said the eurodollar market was transfixed by the proposed $22.8bn takeover of the Chrysler car company by an investment company owned by financier Mr Kirk Kerkorian. Chrysler does not have any outstanding eurobonds but traders said spreads on Chrysler's bonds in the domestic US market widened slightly after the news.

The lack of supply in recent weeks has prompted a tightening of spreads in most areas of the eurobond market, particularly the euroyen sector as investors sought paper in order to make currency gains. At one stage, the World Bank's yen global bonds were yielding about 20 basis points below the yield on Japanese government bonds, although they then stabilised at about 10 basis points below JGBs.

Spreads on Italy's foreign-currency bonds also tightened in following news of progress on pensions.

Syndicate managers welcomed news that the Italian Treasury and the Bank of Italy would abolish remaining conditions limiting access to lead-managing eurolira issues.

On Tuesday, the Italian authorities said reciprocity of access to foreign banks' home markets and a physical presence in Italy would no longer be requested as a condition. The changes meant that any foreign bank that maintained a "stable and significant position in tha secondary market" would be able to conduct eurolira operations.

● Sonth Africa is likely to launch its first bond in the samurai markat – the Japanesa domestic market for foreign borrowers – in May, Reuter reports from Tokyo.

The maturity is likely to be five years and the volume is expected to be about Y50bn.

Last month, Sonth Africa said it had appointed Daiwa Securities as a "possible lead manager" for a samurai issue.

South Africa launched its first post-apartheid international borrowing in December with a $750m global bond issue.

Losses on derivatives 'likely to continue'

Losses from derivatives are likely to continue in the future, Mr Charles Taylor, executive director of the Group of Thirty, said, Reuter reports. "I'm sure we'll go on having major losses," Mr Taylor said in a speech to the National Economists' Club in Washington.

He said banks' derivatives activity had slowed in the second half of 1994 and profits in that area were lower in the period. "We're in a stock-taking position now," Mr Taylor said. However, he expected "a recovery of activity in some of the quarters ahead".

Mr Taylor said there was evidence of "a considerable" drop in profits from derivatives for banks. His comments were based on data from the International Swaps and Derivatives Association.

Mr Taylor said be did not expect any congressional initiatives on derivatives to become law this year.

Separately, he said the Bank for International Settlements had gone back to the drawing board on capital adequacy rules and was "very close to producing new rules".

The Group of Thirty is an organisation of bankers and economists based in Washington and chaired by Mr Paul Volcker, the former Federal Reserve chairman.

Turkey to seek loan of $500m

Bankers expect Turkey and 18 western and Turkish banks to sign an accord by the end of the month for a $500m loan, Reuter reports.

Bankers said the facility would carry an annual interest rate of 175 basis points above the London interbank offered rate (Libor).

French, German exchanges mull closer links

By Andrew Jack in Paris and Andrew Fisher in Frankfurt

The French and German stock exchanges said yesterday they were studying ways of extending their co-operation.

In a joint statement, the Deutsche Börse, the company which runs the German stock exchange, the Société des Bourses Françaises, the French stock exchange operator, and the Matif, the French futures exchange, said they were considering "enhanced co-operation" which could include some links between the cash markets – or main equity exchanges – as well as derivatives products between Paris and Frankfurt.

However, yesterday's developments also led to some confusion because of a further delay in the decision about which two of four Matif contracts are to be offered to DTB market participants.

A decision had been expected last month.

Last September – when the first stage of the agreement between the DTB and Matif was implemented – Matif members were given direct access to German Bund (long-term government bond) and Bobl (medium-term bond) futures and options contracts.

In the second part of the projects, scheduled for implementation at the end of 1995, Matif will allow DTB participants to trade two of its products – the 3-month Pibor future and option, the French medium term future, and the CAC-40 stock index future – in Frankfurt. The issue has been the subject of considerable debate among Matif members.

Aprim, the association for Matif members, said it had voted at its annual meeting on Tuesday to actively pursue several questions, including the nature of the agreement with DTB, and the potential risks of delocalisation of the market.

However, some of Matif's members expressed more open frustration yesterday. "Everything is now open," said one. "We have new, very substantial alements which we just cannot ignore. A lot of things have changed since we first discussed the link-up three years ago. We need to know what is the strategy for the Paris financial marketplace."

In an apparent attempt to meet criticism of the joint move, Matif, SBF and Deutsche Börse said they "would like to stress the importance of their commitment to work together to the benefit of all market participants".

They said the original Matif-DTB agreement to start work on a joint Franco-German derivatives platform was "the starting point of a co-operation of strategic importance and innovative character".

Referring to the benefits of the move which put the DTB and tha Frankfurt stock exchange together within Deutscha Börse, the joint statement said analysis had shown "the clear benefit of a convergent market organisation for both the cash and derivatives exchanges between Frankfurt and Paris".

Deutscha Börse said it was too early to say how the co-operation might develop or how Germany's Ibis electronic trading system would be linked with France's CAC network.

The two exchanges originally agreed at the end of 1993 to set up a trading system for derivatives called Tradeus. The legal framework underpinning the strategic link was completed last month by the exchange of information agreement between French and German regulatory authorities.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	95.3100	+0.170	9.77	9.85	10.07
Austria		7.500	01/05	100.5300	+0.200	7.41	7.39	7.88
Belgium		6.500	03/05	90.5300	–0.010	7.91	7.86	8.28
Canada *		9.000	12/04	101.9000	–0.250	8.70	8.78	8.79
Denmark		7.000	12/04	88.7700	+0.150	8.76	8.78	8.88
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	97.8300	–0.130	7.81	7.76	8.08
Germany Bund		7.375	01/05	101.8500	+0.360	7.10	7.03	7.40
Ireland		6.250	10/04	83.7000	+0.300	8.82	8.82	8.80
Italy		9.500	01/05	80.9900	–0.410	13.00†	13.03	12.96
Japan	No 119	4.800	06/99	107.9260	-	2.80	2.72	3.70
	No 174	4.800	09/04	105.7730	–0.600	3.64	3.52	4.25
Netherlands		7.750	03/05	103.6200	+0.260	7.22	7.17	7.57
Portugal		11.875	02/05	87.8300	–0.170	12.25	12.13	11.66
Spain		10.000	02/05	88.0500	–0.090	12.11	12.05	11.93
Sweden		8.000	02/05	69.3740	+0.318	11.32	11.56	10.84
UK Gilts		8.000	06/99	92-10	+9/32	8.15	8.24	8.52
		8.500	12/05	100-29	+17/32	8.37	8.38	8.62
		9.000	10/08	104-30	+17/32	8.38	8.40	8.81
US Treasury *		7.500	02/05	103-00	+8/32	7.07	7.10	7.37
		7.625	02/25	103-02	+11/32	7.37	7.36	7.56
ECU (French Govt)		8.000	04/04	86.1300	+0.080	8.24	8.22	8.53

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	5.76	Two year	6.64
Prime rate	9	Two month	5.95	Three year	6.73
Broker loan rate	6½	Three month	5.82	Five year	6.91
Fed.funds	5½	Six month	6.06	10-year	7.00
Fed.funds at intervention	-	One year	6.30	30-year	7.37

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	113.06	112.98	-0.06	113.08	112.72	127,839	122,200
Sep	112.44	112.40	-0.04	112.40	112.22	3,564	6,675
Dec	112.24	112.14	-0.10	112.14	112.10	202	1,063

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS May	CALLS Jun	CALLS Sep	PUTS May	PUTS Jun	PUTS Sep
111	-	-	-	0.08	0.31	1.15
112	1.20	1.50	1.90	0.20	0.51	1.51
113	0.55	0.89	1.36	0.56	0.92	-
114	0.15	0.45	0.92	-	-	-
115	0.03	0.18	0.59	-	-	-

Est. vol. total, Calls 13,284 Puts 22,155. Previous day's open int., Calls 143,332 Puts 209,505.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.17	92.42	0.36	92.46	92.06	102495	175862
Sep	91.65	91.87	0.35	91.80	91.65	216	5200

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9200	0.52	0.87	0.75	1.03	0.10	0.45	0.88	1.16
9250	0.22	0.59	0.54	0.80	0.30	0.87	1.17	1.43
9300	0.07	0.37	0.37	0.60	0.65	0.95	1.50	1.73

Est. vol. total, Calls 12570 Puts 7568. Previous day's open int., Calls 173435 Puts 152478

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.10	93.91	+0.04	94.18	93.75	29715	43738
Sep	93.30	93.28	+0.04	93.30	93.30	2	137

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
9350	1.48	2.18	1.05	2.42
9400	1.18	1.95	1.27	2.69
9450	0.94	1.74	1.53	2.98

Est. vol. total, Calls 1078 Puts 1431. Previous day's open int., Calls 44644 Puts 34737

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	82.73	82.60	-0.07	82.75	82.22	38,188	49,583
Sep		82.10					

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	103-18	103-25	+0-14	103-30	103-10	37241	84032
Sep		103-15	+0-14			0	110

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
103	0-61	1-29	1-34	2-01	0-09	0-41	1-04	1-35
104	0-20	0-56	1-03	1-34	0-32	1-04	1-37	2-04
105	0-04	0-30	0-43	1-08	1-18	1-42	2-13	2-42

Est. vol. total, Calls 2078 Puts 6571. Previous day's open int., Calls 30630 Puts 49753

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	83.14	83.18	+0.06	83.18	82.98	2,874	7,422

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	104-20	104-15	-0-05	104-27	104-07	344,742	330,047
Sep	104-08	104-01	-0-05	104-12	103-26	769	17,675
Dec		103-25	-0-05			268	1,626

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	114.21			114.46	114.20	4401	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Apr 12	Day's change %	Tue Apr 11	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	119.76	+0.22	119.61	1.45	3.53
2 5-15 years (21)	141.71	+0.43	141.10	2.20	3.58
3 Over 15 years (9)	158.56	+0.56	157.68	2.15	4.05
4 Irredeemables (6)	182.50	+0.49	181.62	3.87	1.47
5 All stocks (59)	138.27	+0.38	137.80	1.94	3.66

	Low coupon yield Apr 12	Apr 11	Yr. ago	Medium coupon yield Apr 12	Apr 11	Yr. ago	High coupon yield Apr 12	Apr 11	Yr. ago
5 yrs	8.23	8.31	7.22	8.31	8.39	7.45	8.44	8.52	7.56
15 yrs	8.33	8.39	7.71	8.40	8.46	7.80	8.80	8.86	8.06
20 yrs	8.32	8.37	7.75	8.40	8.46	7.80	8.54	8.61	7.99
Irred.†	8.37	8.41	7.88						

Index-linked

	Wed Apr 12	Day's change %	Tue Apr 11	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	191.98	+0.25	191.51	0.14	2.57
7 Over 5 years (11)	178.38	+0.25	177.93	0.97	1.28
8 All stocks (13)	178.88	+0.25	179.43	0.89	1.40

	Inflation 5% Apr 12	Apr 11	Yr. ago	Inflation 10% Apr 12	Apr 11	Yr. ago
Up to 5 yrs	3.19	3.31	3.31	1.83	1.96	2.43
Over 5 yrs	3.79	3.80	3.44	3.80	3.82	3.27

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 12	Apr 11	Apr 10	Apr 7	Apr 6	Yr ago	High*	Low*
Govt. Secs. (UK)	92.21	91.91	91.80	92.24	92.06	97.02	92.24	90.22
Fixed Interest	110.84	110.78	111.09	111.15	111.12	117.04	111.15	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Apr 11	Apr 10	Apr 7	Apr 6	Apr 5
Gilt Edged bargains	82.0	74.2	88.7	93.2	95.8
5-day average	87.8	92.2	97.1	98.0	101.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on April 11

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92⅞	93⅛	+⅛	7.71
Alberta Province 7⅞ 96	1000	101¼	101½	+⅛	7.19
Austria 8½ 00	400	104⅞	105¼	+⅛	7.25
Baden-Wuert L-Fin 8⅛ 00	1000	103⅛	103⅜		7.32
United Kingdom 7¼ 97	5500	102⅞	103	-⅛	5.88
Volkswagen Intl Fin 7 03	1000	95⅞	97⅛	-¼	7.52
World Bank 0 15	2000	21¾	22¼	-⅛	7.65
World Bank 5⅞ 00	3000	91	91⅛	-¼	7.32
World Bank 8¾ 00	1250	110¾	111⅝	+⅛	6.19
Abbey Natl Treasury 8 03 £	1000	93⅞	93⅝		8.16
Alliance Leics 11⅛ 97 £	100	105½	105¾	-⅛	8.36
British Land 8⅞ 23 £	150	88⅝	88	+⅛	10.35
Denmark 6¾ 98 £	800	96	95¼		8.49
EIB 8 03 £	1000	95	95¼		8.88

[illegible] (remaining FT/ISMA listings: U.S. dollar straights, other straights, Swiss franc straights, Yen straights, other straights, Deutsche Mark straights, floating rate notes, convertible bonds)

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

[illegible] (Shorts (Lives up to Five Years); Five to Fifteen Years; Over Fifteen Years; Undated; Index-Linked; Other Fixed Interest)

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

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CURRENCIES AND MONEY

MARKETS REPORT

Interest rates dominate quiet Easter markets

Belgium and Holland both cut their interest rates yesterday after a variable rate tender left the repo rate in Germany at 4.5 per cent, *writes Philip Gawith.*

The stability of German rates provided the leeway for Holland and Belgium to act. In both cases the decision was made possible by the currency strength enjoyed since the Bundesbank cut German rates two weeks ago.

Belgium cut its central rate to 4.75 per cent from 5 per cent, while Holland cut its special advances rate – the equivalent of the German repo rate – to 4.4 per cent, from 4.5 per cent.

Elsewhere in Europe, the reverse process was underway with Sweden's Riksbank raising rates against a backdrop of recent weakness in the krona. The deposit rate was increased to 7.5 per cent from 6.5 per cent, while the lending rate was raised to 9 per cent from 8.5 per cent.

The Belgium franc finished unchanged in London at BFr20.55 against the D-Mark, while the Dutch guilder was unchanged at Fl1.12. The Swedish krona closed weaker at SKr5.253, from SKr3.233.

Elsewhere, the dollar maintained the steadier showing of recent days. It finished in London at DM1.4048 from DM1.401. Against the yen it closed at Y84.08 from Y83.635.

Sterling had a disappointing day, finishing half a cent lower against the D-Mark, at DM2.2313, and nearly a cent down against the dollar, at $1.5884. The trade weighted index slipped to 84.3, from 84.5, not far above the all time low of 83.9 reached in February 1993.

■ Foreign exchange activity was mostly quiet yesterday.

■ Pound in New York

Apr 12	—Latest—	– Prev. close –
£ spot	1.5910	1.5925
1 mth	1.5908	1.5924
3 mth	1.5897	1.5915
1 yr	1.5795	1.5811

Trading has already gone into the Easter mode, with the only remaining issue being whatever action the Bank of Japan decides to announce tomorrow.

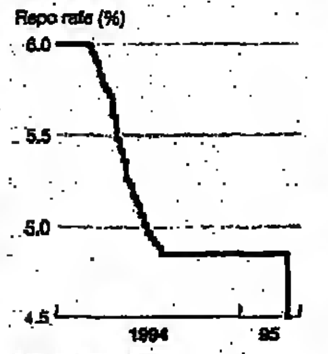
There was some unwinding of long yen positions ahead of the event. Analysts said the dollar's recovery against the yen after reaching a new low of Y80.15 on Monday was reminiscent of how it recovered against the D-Mark after touching a low of DM1.3450 on March 8.

Markets have been abuzz for weeks with rumours about what steps the BOJ might take to stimulate Japanese demand, which would probably take pressure off the yen. Top of the list is a cut in the official discount rate, from 1.75 per cent, perhaps by as much as 100 basis points.

Other measures discussed include a fiscal stimulus, improved foreign access to Japanese markets, and a tax on foreign-held yen deposits.

Mr Joe Prendergast, analyst at Paribas Capital Markets in London, said the latter move, which was tantamount to a capital control, was most unlikely. Not only would it would be complicated to implement, but was likely to be ineffective too, as it targeted speculative activity whereas yen weakness was in fact the result of structural flows.

Germany



Source: Datastream

■ There was little surprise at the German repo coming in at 4.5 per cent, unchanged from the last fixed rate. Mr Johann Wilhelm Gaddum, the Bundesbank vice-president, had previously stated that 4.5 per cent was an "orientation point" for the repo.

Ms Alison Cottrell, analyst at Paine Webber in London, said it was fairly standard practice for the Bundesbank to engineer an unchanged repo on the first auction after switching from a fixed to a variable rate.

"They are doing as little as they can to encourage banks that rates are on their way down," she said.

Ms Cottrell described the Dutch central bank's decision to cut rates as a "passive rate move...almost a technicality." She said it was purely a function of the strength of the guilder.

Dutch interest rates have now slipped below those in Germany, a situation only possible because of the guilder's status as a D-Mark proxy.

In the case of Belgium the rebound from currency weakness has been sufficient to allow interest rates to fall below where they were before the central bank raised rates to defend the currency.

After trading around the BFr20.6 level against the D-Mark for a year, the franc spiked up to BFr20.775 last month, before the central rate was raised to 5.85 per cent on March 8.

■ The Bank of England provided UK money markets with £440m late assistance after forecasting a daily shortage of £700m. Failure to operate in the earlier rounds saw overnight rates rise to 8 per cent.

■ OTHER CURRENCIES

Apr 12	£	$
Hungary	189.635 - 189.854	119.410 - 119.510
Iran	2772.11 - 2779.18	1745.00 - 1750.00
Kuwait	0.4652 - 0.4658	0.2929 - 0.2932
Poland	3.7594 - 3.7610	2.3672 - 2.3675
Russia	7952.53 - 7954.80	5006.00 - 5009.00
U.A.E.	5.8315 - 5.8340	3.6720 - 3.6724

POUND SPOT FORWARD AGAINST THE POUND

Apr 12		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7012	-0.0352	955 - 071	15.7425	15.6499	15.6907	1.6	15.6426	1.5	-	-	107.8
Belgium	(BFr)	45.8493	-0.1119	357 - 629	45.9890	45.7170	45.8043	1.2	45.6943	1.4	45.1643	1.5	110.3
Denmark	(DKr)	8.7594	-0.0354	536 - 651	8.8008	8.7374	8.7671	-1.1	8.7698	-0.5	8.7379	0.2	110.2
Finland	(FM)	6.8768	+0.0133	717 - 816	6.8820	6.8390	-	-	-	-	-	-	87.4
France	(FFr)	7.7756	-0.0188	734 - 779	7.7968	7.7557	7.7859	-1.6	7.7943	-1.0	7.7372	0.5	110.8
Germany	(DM)	2.2318	-0.0049	305 - 320	2.2378	2.2239	2.2285	1.5	2.2213	1.8	2.1816	2.2	113.1
Greece	(Dr)	362.128	-0.382	976 - 280	362.690	360.973	-	-	-	-	-	-	69.0
Ireland	(I£)	0.9859	-0.0011	847 - 870	0.9886	0.9816	0.9857	0.2	0.9853	0.2	0.9859	0.0	97.0
Italy	(L)	2747.45	-4.82	582 - 907	2760.24	2737.78	2758.2	-4.7	2778.1	-4.2	3288.15	-19.7	64.1
Luxembourg	(LFr)	45.8493	-0.1116	357 - 629	45.9890	45.7170	45.8043	1.2	45.6943	1.4	45.1643	1.5	110.3
Netherlands	(Fl)	2.4985	-0.0063	673 - 997	2.5092	2.4916	2.4953	1.5	2.4879	1.7	2.4456	2.1	110.1
Norway	(NKr)	9.9967	-0.0086	931 - 042	10.0089	9.9648	9.9883	1.2	9.968	1.2	9.8616	1.4	99.1
Portugal	(Es)	235.552	+0.04	356 - 748	235.748	232.793	236.387	-4.3	238.177	-4.5	-	-	96.2
Spain	(Pta)	198.742	-0.889	592 - 893	199.840	198.567	199.202	-2.8	200.117	-2.8	204.062	-2.7	79.6
Sweden	(SKr)	11.7181	+0.0172	075 - 286	11.7324	11.6207	11.7202	-0.2	11.7243	-0.2	11.7445	-0.2	77.2
Switzerland	(SFr)	1.8369	-0.0011	358 - 380	1.8427	1.8309	1.8325	2.9	1.823	3.0	1.7704	3.6	114.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.3
Ecu	-	1.2119	-0.0026	113 - 125	1.2140	1.2093	1.212	0.0	1.2108	0.4	1.2027	0.8	-
SDR†	-	1.01980	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5883	-0.0078	879 - 886	1.5943	1.5868	-	-	-	-	-	-	-
Brazil	(R$)	1.4351	+0.0025	325 - 377	1.4494	1.4325	-	-	-	-	-	-	-
Canada	(C$)	2.1870	-0.0168	859 - 881	2.2042	2.1828	2.1906	-2.0	2.196	-1.7	2.2016	-0.7	82.1
Mexico	(New Peso)	9.8875	-0.1284	621 - 129	9.9337	9.8620	-	-	-	-	-	-	-
USA	($)	1.5884	-0.0078	881 - 886	1.5945	1.5868	1.5882	0.1	1.5872	0.3	1.577	0.7	88.6
Pacific/Middle East/Africa													
Australia	(A$)	2.1356	-0.0182	345 - 367	2.1372	2.1344	2.1383	-1.5	2.1427	-1.3	2.1623	-1.2	80.5
Hong Kong	(HK$)	12.2816	-0.0603	795 - 842	12.3287	12.2702	12.2813	0.1	12.2821	0.0	12.2754	0.1	-
India	(Rs)	49.8425	-0.2567	187 - 662	50.0190	49.8100	-	-	-	-	-	-	-
Israel	(Shk)	4.7254	-0.0095	198 - 309	4.7344	4.7186	-	-	-	-	-	-	-
Japan	(Y)	133.549	+0.055	480 - 617	134.370	132.290	132.979	5.1	131.829	5.2	125.719	5.9	171.3
Malaysia	(M$)	3.9312	-0.0577	298 - 326	3.9822	3.9281	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3805	-0.0279	792 - 817	2.3823	2.3790	2.3864	-2.9	2.3954	-2.5	2.4112	-1.3	67.6
Philippines	(Peso)	41.4083	-0.0917	224 - 942	41.4972	41.2889	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9571	-0.0291	559 - 582	5.9799	5.9515	-	-	-	-	-	-	-
Singapore	(S$)	2.2245	-0.0144	233 - 256	2.2346	2.2231	-	-	-	-	-	-	-
South Africa	(R)	5.7316	-0.0182	295 - 337	5.7476	5.7212	-	-	-	-	-	-	-
South Korea	(Won)	1223.43	-3.77	315 - 370	1226.08	1221.33	-	-	-	-	-	-	-
Taiwan	(T$)	40.3294	-0.0429	092 - 496	40.4716	40.2160	-	-	-	-	-	-	-
Thailand	(Bt)	39.0814	-0.1899	593 - 034	39.2170	39.0590	-	-	-	-	-	-	-

†SDR rates per £ for Apr 11. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 12		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.8853	+0.0282	832 - 874	9.8935	9.8240	9.8738	1.4	9.8538	1.3	9.7603	1.3	107.5
Belgium	(BFr)	28.8660	+0.071	620 - 700	28.8940	28.7020	28.8405	1.1	28.794	1.0	28.646	0.8	109.8
Denmark	(DKr)	5.5148	+0.0048	120 - 175	5.5305	5.4824	5.5188	-0.9	5.5263	-0.8	5.5513	-0.7	108.9
Finland	(FM)	4.3295	+0.0295	270 - 320	4.3337	4.2968	4.3315	-0.6	4.3328	-0.3	4.337	-0.2	88.5
France	(FFr)	4.8954	+0.0121	948 - 960	4.9030	4.8730	4.9009	-1.3	4.9084	-1.1	4.9014	-0.1	110.1
Germany	(DM)	1.4048	+0.0038	045 - 050	1.4070	1.3957	1.4031	1.5	1.3995	1.5	1.3826	1.6	112.2
Greece	(Dr)	227.980	+0.875	930 - 050	228.140	226.520	230.28	-12.1	234.24	-11.0	251.49	-10.3	88.1
Ireland	(I£)	1.6111	-0.0081	095 - 127	1.6200	1.6094	1.6118	-0.4	1.6132	-0.5	1.6219	-0.7	-
Italy	(L)	1729.75	+5.43	900 - 050	1736.00	1720.50	1736	-4.3	1748.25	-4.5	1808.75	-4.6	63.6
Luxembourg	(LFr)	28.8660	+0.071	620 - 700	28.8940	28.7020	28.8405	1.1	28.794	1.0	28.646	0.8	109.8
Netherlands	(Fl)	1.5730	+0.0037	725 - 735	1.5788	1.5637	1.5712	1.4	1.5674	1.4	1.5493	1.5	108.4
Norway	(NKr)	6.2950	+0.0286	925 - 975	6.2977	6.2509	6.2885	1.2	6.2787	1.0	6.2525	0.7	98.1
Portugal	(Es)	148.300	+0.75	200 - 400	148.400	145.300	148.9	-4.9	150.05	-4.7	155.35	-4.8	96.5
Spain	(Pta)	125.125	+0.055	050 - 200	125.870	124.950	125.415	-2.8	126.075	-3.0	129.35	-3.4	78.9
Sweden	(SKr)	7.3775	+0.0468	720 - 830	7.3900	7.2898	7.3917	-2.3	7.423	-2.5	7.566	-2.6	76.7
Switzerland	(SFr)	1.1565	+0.005	560 - 570	1.1600	1.1490	1.1539	2.7	1.1483	2.8	1.122	3.0	113.5
UK	(£)	1.5884	-0.0078	881 - 886	1.5945	1.5868	1.5882	0.1	1.5872	0.3	1.577	0.7	83.8
Ecu	-	1.3107	-0.0036	102 - 111	1.3180	1.3100	1.3108	0.0	1.311	-0.1	1.3099	0.1	-
SDR†	-	0.63960	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0000	-	999 - 000	1.0000	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	0.9035	+0.008	020 - 050	0.9090	0.9020	-	-	-	-	-	-	-
Canada	(C$)	1.3769	-0.0037	764 - 774	1.3835	1.3750	1.3792	-2.0	1.3836	-1.6	1.3959	-1.4	80.5
Mexico	(New Peso)	6.2250	-0.05	100 - 400	6.2400	6.2000	6.2272	-0.4	6.2304	-0.4	6.2353	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	89.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3444	-0.0065	441 - 450	1.3451	1.3404	1.346	-1.4	1.3499	-1.6	1.3711	-2.0	81.1
Hong Kong	(HK$)	7.7325	-	322 - 327	7.7334	7.7320	7.7313	0.2	7.7356	-0.2	7.771	-0.5	-
India	(Rs)	31.3800	-0.0075	700 - 900	31.3900	31.3700	31.46	-3.1	31.705	-4.1	-	-	-
Israel	(Shk)	2.9750	+0.0085	720 - 780	2.9780	2.9678	-	-	-	-	-	-	-
Japan	(Y)	84.0800	+0.445	500 - 100	84.3600	83.1500	83.78	4.3	83.12	4.6	80.025	4.8	172.6
Malaysia	(M$)	2.4750	-0.0115	745 - 755	2.4860	2.4725	2.473	1.0	2.4706	0.7	2.465	0.4	-
New Zealand	(NZ$)	1.4986	-0.0102	981 - 993	1.4993	1.4941	1.502	-2.7	1.5088	-2.7	1.528	-2.0	-
Philippines	(Peso)	26.0700	+0.07	200 - 200	26.1200	26.0200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0001	503 - 506	3.7506	3.7500	3.7515	-0.3	3.7536	-0.3	3.7655	-0.4	-
Singapore	(S$)	1.4005	-0.0022	000 - 010	1.4023	1.3995	1.3953	4.5	1.387	3.9	1.3605	2.8	-
South Africa	(R)	3.6086	+0.0063	078 - 093	3.6095	3.6030	3.6268	-6.0	3.6639	-6.1	3.8579	-6.9	-
South Korea	(Won)	770.250	+1.4	200 - 300	770.500	768.800	773.25	-4.7	776.75	-3.4	795.25	-3.2	-
Taiwan	(T$)	25.3808	+0.0973	820 - 995	25.4075	25.2750	25.4108	-0.8	25.4508	-0.6	-	-	-
Thailand	(Bt)	24.6050	-0.005	950 - 150	24.6175	24.5950	24.626	-1.0	24.6525	-0.6	24.74	-0.5	-

†SDR rate per $ for Apr.11. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 11. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

April 12	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	$4\frac{11}{16}$	$4\frac{11}{16}$	$5\frac{1}{8}$	$6\frac{7}{16}$	$5\frac{5}{8}$	7.40	4.00	-
week ago	$5\frac{1}{4}$	$4\frac{5}{8}$	$5\frac{3}{8}$	$5\frac{5}{8}$	$6\frac{1}{4}$	7.40	4.00	-
France	$7\frac{3}{8}$	$7\frac{5}{8}$	$7\frac{5}{8}$	$7\frac{1}{4}$	$7\frac{1}{16}$	8.00	-	8.00
week ago	$7\frac{11}{16}$	$7\frac{5}{16}$	$7\frac{3}{8}$	$7\frac{7}{16}$	$7\frac{1}{4}$	5.00	-	8.00
Germany	$4\frac{3}{8}$	$4\frac{1}{2}$	$4\frac{5}{8}$	$4\frac{11}{16}$	$4\frac{11}{16}$	6.00	4.00	4.50
week ago	4.50	$4\frac{1}{2}$	4.56	4.69	4.94	6.00	4.00	4.65
Ireland	$5\frac{1}{4}$	$6\frac{3}{8}$	$6\frac{5}{8}$	$6\frac{7}{8}$	$7\frac{5}{8}$	-	-	6.25
week ago	$5\frac{5}{8}$	$6\frac{3}{8}$	$5\frac{7}{8}$	$7\frac{1}{16}$	$7\frac{1}{4}$	-	-	6.25
Italy	$10\frac{1}{4}$	$10\frac{1}{16}$	$10\frac{5}{8}$	11	$11\frac{1}{2}$	-	7.50	10.46
week ago	10	$10\frac{3}{16}$	11	$11\frac{3}{8}$	$11\frac{3}{4}$	-	7.50	10.44
Netherlands	4.55	4.67	4.73	4.81	5.12	-	5.25	-
week ago	4.56	4.57	4.70	4.85	5.08	-	5.25	-
Switzerland	$3\frac{1}{2}$	$3\frac{3}{8}$	$3\frac{1}{4}$	$3\frac{1}{8}$	$3\frac{5}{8}$	8.625	8.00	-
week ago	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{3}{8}$	$3\frac{3}{8}$	$3\frac{1}{2}$	8.625	3.00	-
US	$5\frac{5}{8}$	$6\frac{1}{16}$	$6\frac{1}{4}$	$6\frac{3}{8}$	$6\frac{5}{8}$	-	5.25	-
week ago	$6\frac{1}{8}$	$6\frac{1}{16}$	$6\frac{1}{4}$	$6\frac{3}{8}$	$6\frac{5}{8}$	-	5.25	-
Japan	$2\frac{1}{4}$	$1\frac{13}{16}$	$1\frac{5}{8}$	$1\frac{5}{8}$	$1\frac{5}{8}$	-	1.73	-
week ago	$2\frac{1}{16}$	$1\frac{13}{16}$	$1\frac{3}{8}$	$1\frac{3}{8}$	$1\frac{3}{8}$	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	$6\frac{1}{8}$	$6\frac{1}{4}$	$6\frac{7}{16}$	$6\frac{11}{16}$	-	-	-
week ago	-	$6\frac{1}{8}$	$6\frac{1}{4}$	$6\frac{7}{16}$	$6\frac{3}{4}$	-	-	-
US Dollar CDs	-	5.88	6.03	6.22	6.52	-	-	-
week ago	-	5.88	6.08	6.28	6.60	-	-	-
SDR Linked Ds	-	$4\frac{5}{8}$	5	$5\frac{1}{4}$	$5\frac{1}{16}$	-	-	-
week ago	-	$4\frac{5}{8}$	5	$5\frac{1}{8}$	$5\frac{1}{4}$	-	-	-

ECU Linked Ds mid rates: 1 mth: $5\frac{3}{4}$; 3 mths: $6\frac{1}{4}$; 6 mths: $6\frac{1}{2}$; 1 year: $6\frac{5}{8}$. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 12	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$5\frac{1}{16}$ - 5	$6\frac{1}{2}$ - $6\frac{1}{8}$	5 - $4\frac{7}{8}$	$5\frac{1}{4}$ - $5\frac{1}{8}$	$6\frac{1}{2}$ - $5\frac{3}{8}$	$5\frac{7}{8}$ - $5\frac{3}{4}$
Danish Krone	7 - $6\frac{3}{4}$	7 - $6\frac{3}{4}$	7 - $6\frac{3}{4}$	7 - $6\frac{3}{4}$	$7\frac{1}{8}$ - $6\frac{7}{8}$	$7\frac{1}{4}$ - 7
D-Mark	$4\frac{1}{16}$ - $4\frac{1}{16}$	$4\frac{9}{16}$ - $4\frac{7}{16}$	$4\frac{9}{16}$ - $4\frac{7}{16}$	$4\frac{11}{16}$ - $4\frac{9}{16}$	$4\frac{3}{4}$ - $4\frac{5}{8}$	$5\frac{1}{16}$ - $4\frac{15}{16}$
Dutch Guilder	$4\frac{7}{16}$ - $4\frac{5}{16}$	$4\frac{5}{8}$ - $4\frac{5}{8}$	$4\frac{5}{8}$ - $4\frac{1}{2}$	$4\frac{3}{4}$ - $4\frac{5}{8}$	$4\frac{7}{8}$ - $4\frac{3}{4}$	$5\frac{1}{8}$ - 5
French Franc	$7\frac{3}{4}$ - $7\frac{1}{2}$	$7\frac{13}{16}$ - $7\frac{9}{16}$	$7\frac{3}{4}$ - $7\frac{1}{2}$	$7\frac{5}{8}$ - $7\frac{5}{8}$	$7\frac{1}{8}$ - $6\frac{7}{8}$	$7\frac{1}{16}$ - $6\frac{13}{16}$
Portuguese Esc.	$9\frac{3}{8}$ - $8\frac{7}{8}$	$9\frac{5}{8}$ - $9\frac{1}{4}$	$10\frac{11}{16}$ - $10\frac{7}{16}$	$10\frac{13}{16}$ - $10\frac{1}{8}$	$11\frac{1}{4}$ - $10\frac{1}{2}$	$11\frac{5}{8}$ - $11\frac{1}{4}$
Spanish Peseta	$8\frac{23}{32}$ - $8\frac{19}{32}$	$8\frac{3}{4}$ - $8\frac{5}{8}$	9 - $8\frac{7}{8}$	$9\frac{5}{32}$ - $9\frac{1}{32}$	$9\frac{3}{4}$ - $9\frac{5}{8}$	$10\frac{13}{32}$ - $10\frac{9}{32}$
Sterling	$5\frac{3}{8}$ - $5\frac{1}{8}$	$5\frac{3}{8}$ - $5\frac{1}{4}$	$6\frac{1}{8}$ - 6	$6\frac{15}{32}$ - $6\frac{13}{32}$	7 - $6\frac{13}{16}$	$7\frac{9}{16}$ - $7\frac{7}{16}$
Swiss Franc	$3\frac{11}{16}$ - $3\frac{7}{16}$	$3\frac{1}{2}$ - $3\frac{3}{8}$	$3\frac{1}{2}$ - $3\frac{3}{8}$	$3\frac{1}{2}$ - $3\frac{3}{8}$	$3\frac{5}{8}$ - $3\frac{1}{2}$	$3\frac{11}{16}$ - $3\frac{9}{16}$
Can. Dollar	$7\frac{13}{16}$ - $7\frac{3}{4}$	$8\frac{1}{16}$ - $7\frac{7}{8}$	8 - $7\frac{7}{8}$	8 - $7\frac{7}{8}$	$7\frac{15}{16}$ - $7\frac{13}{16}$	$7\frac{15}{16}$ - $7\frac{13}{16}$
US Dollar	6 - $5\frac{7}{8}$	$6\frac{1}{16}$ - $5\frac{15}{16}$	$6\frac{1}{8}$ - 6	$6\frac{1}{4}$ - $6\frac{1}{8}$	$6\frac{7}{16}$ - $6\frac{5}{16}$	$6\frac{11}{16}$ - $6\frac{9}{16}$
Italian Lira	$10\frac{1}{4}$ - $9\frac{3}{4}$	$10\frac{7}{16}$ - $10\frac{3}{16}$	$10\frac{5}{8}$ - $10\frac{1}{4}$	$10\frac{5}{8}$ - $10\frac{1}{2}$	11 - $10\frac{7}{8}$	$11\frac{7}{16}$ - $11\frac{5}{16}$
Yen	$1\frac{7}{8}$ - $1\frac{3}{4}$	$1\frac{13}{16}$ - $1\frac{3}{4}$	$1\frac{3}{4}$ - $1\frac{11}{16}$	$1\frac{11}{16}$ - $1\frac{5}{8}$	$1\frac{5}{8}$ - $1\frac{9}{16}$	$1\frac{5}{8}$ - $1\frac{9}{16}$
Asian $Sing	$3\frac{7}{8}$ - $3\frac{3}{4}$	$3\frac{1}{4}$ - $3\frac{1}{8}$	$2\frac{13}{16}$ - $2\frac{11}{16}$	$2\frac{13}{16}$ - $2\frac{11}{16}$	3 - $2\frac{7}{8}$	$3\frac{3}{8}$ - $3\frac{1}{4}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.24	93.14	-0.08	93.24	93.02	39,095	43,265
Sep	93.58	93.55	-0.01	93.58	93.42	10,846	36,305
Dec	93.45	93.45	+0.01	93.46	93.38	4,778	21,238
Mar	93.25	93.26	-	93.28	93.21	1,369	14,561

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		93.63	-			0	565
Sep		93.44	+0.02			0	329
Dec		93.23	+0.03			0	255
Mar		93.22	+0.03			0	0

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.26	95.28	+0.04	95.28	95.24	16758	154707
Sep	94.98	95.04	+0.08	95.05	94.97	24801	168957
Dec	94.68	94.74	+0.08	94.76	94.67	13828	119366
Mar	94.41	94.48	+0.07	94.48	94.40	4758	87285

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	88.89	88.98	+0.13	89.01	88.71	11618	36331
Sep	88.76	88.83	+0.11	88.88	88.65	1829	23381
Dec	88.65	88.78	+0.12	88.80	88.61	223	13710
Mar	88.63	88.73	+0.10	88.71	88.55	150	7906

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.44	96.45	+0.02	96.46	96.42	3134	21115
Sep	96.33	96.34	+0.02	96.35	96.30	1487	8982
Dec	96.19	96.19	+0.01	96.22	96.15	563	6158
Mar	96.03	96.04	-	96.07	96.02	206	1785

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.57	93.63	+0.08	93.65	93.51	2446	9395
Sep	93.42	93.45	+0.04	93.50	93.36	901	4744
Dec	93.12	93.18	+0.04	93.20	93.11	195	2392
Mar	92.96	92.99	+0.02	93.00	92.98	81	1550

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 12		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.10	16.96	4.868	2.150	5991	5.448	21.81	513.6	433.4	25.56	4.004	2.161	4.770	3.463	291.2	2.641
Denmark	(DKr)	52.36	10	8.877	2.547	1.126	3136	2.852	11.41	268.9	226.9	13.38	2.096	1.142	2.497	1.813	152.4	1.383
France	(FFr)	58.97	11.27	10	2.869	1.268	3533	3.213	12.86	302.9	255.6	15.07	2.361	1.286	2.813	2.042	171.7	1.558
Germany	(DM)	20.55	3.926	3.485	1	0.442	1231	1.120	4.481	105.6	89.06	5.253	0.823	0.448	0.980	0.712	59.84	0.543
Ireland	(I£)	46.50	8.883	7.885	2.263	1	2786	2.533	10.14	238.8	201.5	11.89	1.862	1.014	2.216	1.611	135.4	1.228
Italy	(L)	1.669	0.318	0.283	0.081	0.036	100	0.091	0.364	8.573	7.233	0.427	0.067	0.036	0.080	0.058	4.860	0.044
Netherlands	(Fl)	18.35	3.506	3.112	0.893	0.395	1100	1	4.002	94.28	79.54	4.692	0.735	0.400	0.876	0.636	53.44	0.485
Norway	(NKr)	45.86	8.761	7.777	2.231	0.986	2748	2.498	10	235.5	198.7	11.72	1.836	1.000	2.187	1.588	133.5	1.211
Portugal	(Es)	19.47	3.719	3.301	0.947	0.419	1166	1.061	4.245	100	84.37	4.977	0.780	0.425	0.929	0.674	56.68	0.514
Spain	(Pta)	23.07	4.408	3.913	1.123	0.496	1382	1.257	5.032	118.5	100	5.898	0.924	0.503	1.101	0.799	67.19	0.609
Sweden	(SKr)	39.12	7.474	6.634	1.904	0.841	2344	2.131	8.531	200.9	169.5	10	1.567	0.853	1.866	1.355	113.9	1.033
Switzerland	(SFr)	24.97	4.771	4.235	1.215	0.537	1496	1.361	5.446	128.3	108.2	6.383	1	0.545	1.191	0.865	72.71	0.660
UK	(£)	45.85	8.759	7.775	2.231	0.986	2747	2.496	9.998	235.5	198.7	11.72	1.836	1	2.187	1.588	133.5	1.211
Canada	(C$)	20.96	4.005	3.555	1.020	0.451	1256	1.142	4.572	107.7	90.86	5.359	0.840	0.457	1	0.726	61.04	0.554
US	($)	28.87	5.516	4.896	1.405	0.621	1730	1.573	6.296	148.3	125.1	7.380	1.156	0.630	1.377	1	84.07	0.763
Japan	(Y)	34.34	6.561	5.824	1.671	0.739	2058	1.871	7.488	176.4	148.8	6.779	1.375	0.749	1.638	1.190	100	0.907
Ecu		37.86	7.233	6.420	1.842	0.814	2268	2.063	8.256	194.5	164.1	9.678	1.516	0.826	1.806	1.311	110.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7146	0.7163	+0.0010	0.7165	0.7125	25,632	55,218
Sep	0.7194	0.7195	+0.0016	0.7210	0.7194	111	2,477
Dec	-	0.7230	-	0.7230	-	69	383

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.2070	1.1966	-0.0105	1.2130	1.1950	22,650	27,373
Sep	1.2195	1.2115	-0.0101	1.2195	1.2100	713	2,454
Dec	1.2305	1.2305	-	1.2305	1.2305	53	213

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8706	0.8720	+0.0020	0.8747	0.8671	18,113	27,373
Sep	0.8763	0.8787	+0.0038	0.8804	0.8781	119	2,454
Dec	-	0.8855	-	0.8863	-	43	213

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5916	1.5916	-0.0018	1.5946	1.5884	4,052	22,504
Sep	-	1.5900	-	1.5920	1.5880	8	294
Dec	-	1.5880	-	1.5900	1.5860	1	62

UK INTEREST RATES

LONDON MONEY RATES

Apr 12	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8 - $4\frac{3}{4}$	$5\frac{7}{16}$ - $5\frac{1}{16}$	6 - $5\frac{7}{8}$	$6\frac{5}{8}$ - $6\frac{1}{2}$	7 - $6\frac{7}{8}$	$7\frac{5}{16}$ - $7\frac{1}{16}$
Sterling CDs	-	-	$6\frac{1}{16}$ - $5\frac{15}{16}$	$6\frac{1}{2}$ - $6\frac{7}{16}$	$6\frac{15}{16}$ - $6\frac{13}{16}$	$7\frac{7}{16}$ - $7\frac{5}{16}$
Treasury Bills	-	-	$5\frac{15}{16}$ - $5\frac{7}{8}$	$6\frac{1}{4}$ - $6\frac{1}{8}$	-	-
Bank Bills	-	-	$5\frac{15}{16}$ - $5\frac{7}{8}$	$6\frac{13}{32}$ - $6\frac{3}{8}$	$6\frac{3}{4}$ - $6\frac{5}{8}$	-
Local authority deps.	$5\frac{9}{16}$ - $5\frac{7}{16}$	$5\frac{9}{16}$ - $5\frac{7}{16}$	$6\frac{1}{16}$ - $5\frac{15}{16}$	$6\frac{1}{2}$ - $6\frac{3}{8}$	7 - $6\frac{7}{8}$	$7\frac{1}{2}$ - $7\frac{3}{8}$
Discount Market deps	$7\frac{1}{4}$ - 5	$5\frac{3}{16}$ - $5\frac{1}{16}$	-	-	-	-

UK clearing bank base lending rate $6\frac{3}{4}$ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	$5\frac{1}{4}$	$5\frac{1}{4}$	6	$6\frac{1}{4}$

Certs of Tax dep. under £100,000 is $2\frac{1}{2}$pc. Deposits withdrawn for cash $1\frac{1}{4}$pc. Ave. tender rate of discount 6.1348pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 31, 1995. Agreed rate for period Apr 26, 1995 to May 25, 1995, Schemes II & III 7.96pc. Reference rate for period Mar 1, 1995 to Mar 31, 1995, Schemes IV & V 6.713pc. Finance House Base Rate 7pc from Apr 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.88	92.92	+0.05	92.94	92.87	17545	90623
Sep	92.44	92.46	+0.04	92.48	92.42	10747	70720
Dec	92.11	92.12	+0.03	92.14	92.09	6871	55976
Mar	91.80	91.83	+0.04	91.85	91.79	3762	36335

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9275	0.27	0.20	0.19	0.10	0.49	0.82
9300	0.11	0.10	0.11	0.16	0.64	0.99
9325	0.03	0.06	0.06	0.38	0.85	1.19

Est. vol. total, Calls 6651 Puts 2612. Previous day's open int., Calls 179671 Puts 139191

EMS EUROPEAN CURRENCY UNIT RATES

Apr 12	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.07682	-0.00407	-3.41	7.29	-
Belgium	39.3960	38.1813	-0.0617	-3.13	6.98	23
Germany	1.91007	1.85623	-0.00375	-2.82	6.64	-
Austria	13.4383	13.0683	-0.0209	-2.83	6.60	-
Denmark	7.28580	7.28735	-0.02911	0.02	3.81	0
Portugal	195.792	195.930	-0.088	0.07	3.58	0
France	6.40608	6.48148	+0.00291	1.18	2.43	-10
Spain	162.493	166.202	+0.21	2.28	1.32	-18
Ireland	0.792214	0.820961	+0.002082	3.63	0.00	-24
NON ERM MEMBERS						
Greece	292.867	301.271	-0.235	2.87	0.74	-
Italy	2106.15	2291.45	+11.12	8.80	-4.75	-
UK	0.786652	0.832731	+0.005085	5.86	-2.10	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.525	6.60	6.75	7.34	-	0.24	0.85
1.550	4.00	4.67	5.60	-	0.84	1.48
1.575	1.63	2.93	3.83	0.08	1.37	2.38
1.600	0.15	1.69	2.67	1.04	2.54	3.54
1.625	-	0.86	1.78	3.30	4.13	5.07
1.650	-	0.39	1.10	5.79	6.13	6.87

Previous day's vol., Calls 11,808 Puts 13,470. Prev. day's open int., Calls 249,522 Puts 332,200

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.64	93.63	-	93.64	93.62	62,680	517,658
Sep	93.44	93.43	-	93.45	93.41	113,487	354,950
Dec	93.23	93.21	-	93.23	93.16	85,517	266,475

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.21	94.20	-	94.21	94.20	843	15,172
Sep	93.96	93.96	-	93.97	93.95	849	10,838
Dec	93.76	93.76	-0.01	93.76	93.75	132	9,604

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9525	0.04	0.09	0.12	0.12	0.01	0.06	0.09	0.33
9550	0.01	0.02	0.03	0.05	0.23	0.24	0.25	0.51
9575	0	0	0	0.02	0.47	0.47	0.47	0.73

Est. vol. total, Calls 2823 Puts 850. Previous day's open int., Calls 159632 Puts 250602

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9625	0.25	0.25	0.28	0.05	0.16	0.34
9650	0.08	0.12	0.19	0.13	0.28	0.48
9675	0.03	0.05	0.11	0.33	0.45	0.67

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 987 Puts 885

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	• Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	• Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

● Members of London Investment Banking Association
• In administration

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		[illegible]	—	98	50¼	8.31	19.8	—
9¼pc Non-Cum Prf		[illegible]	—	118½	3	1.98	—	—
Cater Allen	♣†	481	+2	465	418	150.3	7.7	9.5
Close Bros	♣†	281xd	—	282	219	248.6	3.8	11.8
Gerrard & Nat	♣†	416	—	490	395	202.8	7.7	12.0
Hambros		212	-6	253	195	374.4	8.8	13.8
7½pc Cv Pf		97½	-1½	112	84	125.6	9.6	—
Joseph (L)	♣†	365	—	408	353	19.3	6.0	10.9
King & Shaxson	♣	89	-2	103	86	15.5	12.6	8.8
Kleinwort Benson	♣	641xd	+8	663	529	865.7	4.2	11.5
Rea Bros	♣	55xd	—	67	55	22.8	2.3	Φ
Schroders	♣	1395xd	+12	1395	1360	1,596	1.8	15.1
N/V	▼	1400xd	+8	1403	1235	406.9	1.0	13.3
Singer & Fried	♣	83	—	86½	82	159.3	5.5	Φ
Union	♣	80xd	—	93	70	21.9	4.7	Φ
Warburg (SG)	♣	745	+11	784	655	1,646	3.7	13.8
Wintrust	♣†	205	—	235	200	17.4	6.0	13.7

BANKS, RETAIL

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£23¼	-⅛	£23⅞	£21¼	7,089	5.5	Φ
ANZ A$		231	+2	233	188	3,287	6.1	8.2
Abbey National	♣	474½xd	-2½	490	413	9,230	4.7	10.2
Allied Irish I£	♣	290xd	+14	290	250	1,939	4.8	8.4
Anglo Irish I£		48	+1	58	45	188.6	0.8	0.9
Asahi Y		751¾	+2¾	774¼	632¼	17,435	0.7	—
Banco Bil Viz Pta		£18⅞	+⅜	£27½	214⅞	3,853	4.9	1.8
Banco Sant Pta		£22½	—	£24⅝	222⅝	3,400	5.8	Φ
Bk Ireland I£	†	324	+3	325	268	1,540	4.4	9.4
Bank Scotland	♣†	224½	-½	230	191½	2,828	3.8	12.7
9¼pc Pf		118	+½	120	115¼	118.0	0.9	—
8¼pc Pf		124¼	+⅛	125¾	112¼	124.2	0.8	—
Barclays	♣	661xd	+15	661	557½	10,820	4.0	7.2
Dai Ichi Kan Y		2124	-⅜	£12¼	[illegible]	38,252	0.5	—

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32½	—	£34	£29	2,124	2.4	Φ
Barlow	♣	86⅞	-⅓	89⅞	£4⅝	1,214	1.6	22.2
Gold Flds Prop R		144xa	—	162	118	14.7	7.3	Φ
Nh. Props.		90	—	95	85	3.82	13.0	–
SASOL	♥	588	-5	689	435	3,285	2.4	–
SA Brews	†	£21½	-⅞	£17⅞	212⅞	4,723	1.7	26.9
Tiger Oats		850	—	875	700	1,278	1.7	20.5
Tongaat-Hulett	†ð	743	—	*762	636	977.2	1.9	22.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is *indicated after the name.*

Symbols referring to dividend status appear in the notes column daily on a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
s Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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FT Cityline

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Money Funds						
Pembroke Hall, Pembroke, Bermuda						
UK: Prnl Advisers 0800 414181			Jersey: 01534 71696			
Private Clients 0800 414181			00 352 250404230			
From Overseas (44) 1732 777377			Fndg Acnq (852) 848 1000			
A$ Accum			A$17.456		+0.003	6.40
A$ Dist			A$15.193		+0.002	6.50
ASch Accum			Sch230.56		+0.02	3.70
ASch Dist			Sch201.44		+0.02	3.70
BFr Accum			BFr540.58		+0.07	4.90
BFr Dist			BFr504.61		+0.07	4.90
C$ Accum			C$17.457		+0.003	7.00
C$ Dist			C$15.201		+0.003	7.00
DKr Accum			DKr108.42		+0.02	5.80
DKr Dist			DKr101.03		+0.02	5.80
DM Accum			DM38.829		+0.004	3.70
DM Dist			DM30.229		+0.002	3.70
DFl Accum			DFl30.568		+0.003	3.70
DFl Dist			DFl25.187		+0.003	3.70
ECU Accum			Ecu12.702		+0.002	5.40
ECU Dist			Ecu10.182		+0.002	5.40
FM Accum			FM105.83		+0.01	3.30
FM Dist			FM100.75		+0.01	3.30
FFr Accum			FFr63.157		+0.010	6.10
FFr Dist			FFr50.537		+0.009	6.10
HK$ Accum			HK$112.45		+0.02	5.80
HK$ Dist			HK$101.18		+0.02	5.80
Irf Accum			I£11.485		+0.001	4.58
Irf Dist			I£10.089		+0.002	4.00
Lira Accum			L20709		+0.5	8.90
Lira Dist			L15347		+0.4	8.90
NZ$ Accum			NZ$26.483		+0.003	7.70
NZ$ Dist			NZ$20.462		+0.002	7.70
NKr Accum			NKr106.40		+0.02	3.70
NKr Dist			NKr100.80		+0.01	3.70
Pes Accum			Es2900.3		+0.7	8.20
Pes Dist			Es2544.7		+0.6	8.20
S$ Accum			S$25.534		+0.001	1.50
S$ Dist			S$25.052		+0.001	1.50
SPta Accum			Pta2444.7		+0.5	7.00
SPta Dist			Pta1827.0		+0.4	7.00
£ Accum			£12.168		+0.001	5.20
£ Dist			£10.104		+0.001	5.20
SKr Accum			SKr109.98		+0.02	7.10
SKr Dist			SKr101.38		+0.02	7.10
SFr Accum			SFr28.905		+0.002	2.30
SFr Dist			[illegible]		[illegible]	2.30

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Sarasin Funds Mngmt (Guernsey) Ltd						
PO Box 248, St Peter Port, Guernsey 01481 723021						
GlobalSar Dollar Accum	5		$27.19	28.86	-0.14	-
GlobalSar Dollar Dist	5		$25.69	27.27	+0.13	3.03
GlobalSar - £	5		£16.44	17.44	+0.19	3.23
(Accum Units)	5		£18.98	20.12	+0.21	-
Schroder Investment Mngmt (Guernsey) Ltd						
PO Box 255, St Peter Port, Guernsey 01481 710851						
European Bd $	3		$11.4273	11.8054	-	7.51
Approx. Stg Equiv	3		£7.1294	7.3763	-	7.51

GUERNSEY (REGULATED)(**)

	Selling Price	Buying Price	+ or -	Yield Gross
ANZ Mngmt Co (Guernsey) Ltd				
Emerging Mkts Limited Inv Ptfs	$11.12	11.51	-	-
Apollo Investment Management Ltd				
Japan	£10.017	10.580	-	-
Tiger	£9.399	10.004	-	-
Arab Bank Fund Managers (Guernsey) Ltd				
AB International Fund Ltd				
Managed Currency	$10.83	10.97	+0.00	-
International Bond	$11.03	11.07	+0.05	-
Bachmann Global Investment Fund Ltd				
Cash, Gilt & Stg Fxd Int	£17.89	17.92	-	-
US Dollar Intl Bond II Cty	$152.98	157.39	-	-
Sterling Intl Bond $ Cty	£100.53	102.89	-	-
Global Equity	£8.75	9.10	-	-
Intl Equity Index	$100.10	104.53	-	-
Bellinvest Management (Guernsey) Ltd				
Bellinvest - Israel Fd	$554.89		-	-
Bellinvest - Brazil Fd	$1073.59		-	-
Bellinvest - Multi Bond Fd	$927.21		-	-
Bellinvest - Global Fd of Fds	$780.92		-	-
Bellinvest - Superior Class	$867.09		-	-
CIBC Fund Managers (Guernsey) Ltd				
PCF Sterling Bond φ	£10.78	10.97	-	-
PCF US Dollar Bond φ	$15.37	15.62	-	-
PCF Canadian Dollar Bond φ	C$21.41	21.76	-	-
PCF Euro Bond φ	SFr18.13	18.48	-	-
PCF Euro Equity φ	SFr18.26	18.87	-	-
PCF Balanced φ	$15.56	15.80	-	-
PCF Far East φ	$14.37	15.21	-	-
Claridon Investment Management (Guernsey) Ltd				
Claridon India Fund	$97.28		-	-
Dantrust Management (Guernsey) Ltd				
Dantrust Limited	Ecu18.03	18.04	-	-

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

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	Selling Price	Buying Price	+ or -	Yield Gross
Credis Investment Funds				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Merrill Lynch Asset Management - Contd.				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Albany International Assurance Ltd				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Skandia Life Assurance Ltd (z)				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital International				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(∇) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(#) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
h - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
● - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
y - Previous day's price.
G - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision.
$ - Only available to charitable bodies.
◊ - Yield column shows annualised rates of NAV increase.
xd - Ex-dividend.

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 recaptures 3,200 in modest volume

By Terry Byland,
UK Stock Market Editor

Satisfactory inflation data on both sides of the Atlantic helped the UK stock market move higher yesterday. The FT-SE 100-share Index recaptured the 3,200 territory, after news of another dip in UK unemployment was accompanied by stable average earnings figures, and later extended its gain when the latest US consumer price index proved acceptable to US and global stock markets.

While neither the UK nor US data changed the market's views on the inflation outlook, it helped to soothe fears of any sudden move on interest rates. The fall in UK unemployment during March was a shade below expectations but confirmed perceptions of a gradual slowdown in the economy.

The rise in unit wage costs for the three months to February failed to ignite inflation concerns, at least for the present. The FT-SE 100 Index finished 18.9 points ahead at 3,209.8, a couple of points below the day's peak.

Analysts agreed that the stock market was "more cautious" than it looked, and that trading volume had been slow to develop. Inflation concerns will be further tested today when the UK monthly trade balance and also the latest retail price index are due; there are some fears that US monthly retail sales, also expected today, could show a sharp increase.

It was left to the British government bond market to provide the lead for equities. Most securities traders have already begun to balance dealing positions ahead of the Easter weekend, which this year has come hard on the heels of the similar year-end operation.

Trading in shares remained very sluggish for most of the session, and the Seaq business total of 553.6m shares at the official close compared with 685m in the previous session. Non-Footsie deals made up around 58 per cent of yesterday's total business in equities. On Tuesday, retail, or customer, business was worth £1.8bn.

There were reports in the marketplace that a large programme trade had been offered to marketmakers late on Tuesday but, finding little interest, had then been completed on a straight commission footing – profitable for dealers but hardly an indication of a confident market.

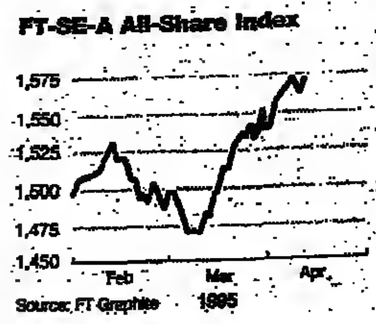
The FT-SE Mid 250 Index gained 8.8 at 3,493.1, with second line stocks content to take their lead from the blue chip list.

With currencies quieter as markets waited for the next move on the dollar/yen/D-Mark front, the market's leading stocks lacked an overall trend. Global oil shares responded to renewed strength in crude oil prices. Financial issues continued to meet selective support but the pharmaceuticals were less certain.

Domestic, interest rate-sensitive stocks, including the leading retailers, joined in the general improvement but without attracting much business.

Strategists commented that share prices had in many cases been influenced by traders' unwillingness to take on stock ahead of the Easter period, and doubted whether a significant market trend could now develop before dealing closed down for the extended weekend.

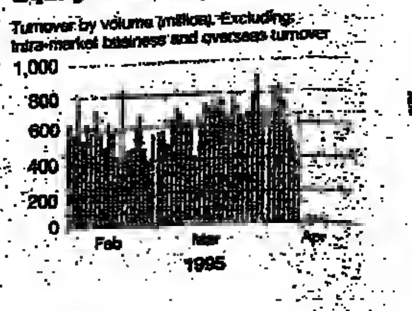
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3209.8	+18.9
FT-SE Mid 250	3493.1	+8.8
FT-SE-A 350	1592.0	+8.2
FT-SE-A All-Share	1570.84	+7.60
FT-SE-A All-Share yield	4.07	(4.09)

FT Ordinary index	2447.5	+13.2
FT-SE-A Non Fins p/e	17.31	(17.27)
FT-SE 100 Fut Jun	3235.0	+25.0
10 yr Gilt yield	8.41	(8.48)
Long gilt/equity yld ratio:	2.10	(2.11)

Best performing sectors

1 Life Assurance .... +1.3
2 Insurance .... +1.3
3 Telecommunications .... +1.3
4 Banks, Retail .... +1.2
5 Diversified Inds .... +1.2

Worst performing sectors

1 Gas Distribution .... -0.4
2 Water .... -0.3
3 Retailers, Food .... -0.3
4 Building Mats .... -0.3
5 Paper, Pckg & Print .... -0.1

Stock overhang hits RMC

Top of the range figures from **RMC**, the world's biggest aggregates provider, failed to generate any real enthusiasm in the stock market, where the building materials group's shares were easily the worst performer among the FT-SE 100 constituents.

Dealers said the share price suffered principally from a stock overhang which resulted from a failed programme trade that should have been executed on Tuesday. Bids for the programme, it was said, failed to meet the selling institutions' expectations, and the portfolio of stocks, including a large line of RMC, was simply dissolved on a commission basis. "It was the stock overhang that did the damage; there could well be a short term bounce as the market adjusts to what will be a series of profits upgrades," was the view of one specialist.

At the close of trading, RMC was 22 lower at 1024p. Turnover was 1.9m, well ahead of usual levels of activity in the stock.

Zeneca easier

Pharmaceuticals group Zeneca lost ground as dealers latched on to scare stories in order to offload stock ahead of the annual meeting in early May.

One concern was approval by the US Food and Drug Administration for a potentially competitive drug produced by Abbott Laboratories, of the US. There were also stories that Zeneca might be poised to bid for Medeva.

However, the Abbott treatment is not seen by analysts to be a serious threat and Medeva's strength – the shares rose 8 to 229½p – was more closely linked to a visit by the company to Scottish institutions.

The more fundamental concern has been Zeneca's desire to act as a counter-bidder in Glaxo's £9bn-plus bid for Wellcome. The possibility had been rumoured before but only fully emerged last week, when a broker reshuffle was announced. It casts a cloud over Zeneca's strategy and the market is expected to be cautious until Sir Denys Henderson makes his final presentation on May 8. Zeneca fell 10 to 889p.

Heavy AAH trade

Healthcare group AAH was the most heavily traded stock in London as Gebe, of Germany, piled into the market after raising its 420p a share bid by 25p. The shares rose to touch the new bid level, before closing 7 higher at 442p.

Through its broker, Cazenove, Gebe was responsible for the buy side of nearly all of yesterday's 22.5m-share turnover in AAH, picking up stock at the bid price. It increased its stake, including acceptances, to 17.78 per cent, from about 4 per cent previously.

However, one AAH source commented: "All they have done is shake the tree and catch the apples that have fallen out. Everything depends on the big institutions."

The main shareholder is PDFM, with around 17.2 per cent at the last count. It will be reviewing its strategy early next week. It is followed by Schroders with 7 per cent, Threadneedle Asset Management with 5.5 per cent, and Newton Investments, which was buying stock recently at above the old bid price and has around 3 per cent. They have until May 2 to decide whether a counter-bidder might emerge. AAH is now poised to write to shareholders in order to state its case. And next week it will be lobbying the institutions furiously.

However, Mr Robin Gilbert of Panmure Gordon believes the bid is bound to go through. "I don't think the market is convinced that the current management can justify the current share price," he said.

International trading group Inchcape, which has been hit by profit warnings this year, comfortably topped the day's Footsie performance charts, advancing 10¼ to 317p in busy 5.1m turnover. Most dealers saw the upswing as a fairly conventional "dead cat bounce" given the shares' woeful performance this year. Inchcape has lagged behind the market as a whole by 30 per cent since early January, tumbling from a 1995 high of 430p.

The company's report and accounts are due shortly but analysts mostly saw the day's movement as bottom fishing on the back of some yen easing. According to NatWest Securities, every 1 per cent movement in the yen against sterling has a £3m impact on Inchcape. The Japanese currency has gained more than 10 per cent against the pound this year.

The bargain hunters finally moved in on Channel tunnel operator **Eurotunnel**, forcing the shares back up to 188p after they had touched an all-time intraday low during the morning session of 179p. The shares, which fell more than a fifth over the first two days of this week, closed 2 higher on the day, with 3.7m shares traded in London and more than 9m in Paris.

Airports group **BAA** shed 6 to 487p following slower 3.9 per cent traffic growth for March. In contrast, **British Airways** rose 6 to 405p, with the BAA numbers suggesting a return to improving market share at the airline for the first time in more than 12 months. Contract distribution group **Tibbet and Britten** gained 5 at 630p on news that the Abu Dhabi Investment Authority had acquired 4.1 per cent.

Bid speculation returned to **United Biscuits**, with Hanson seen as the suitor. UB shares appreciated 8 to 343p on volume of 1.2m, while Hanson firmed 4 to 241¼p in strong trade of 15m, following a broker's recommendation.

A two-way pull in food retailer **Tesco**, which reported improved figures on Tuesday, saw the shares harden a penny to 272p in trade of 7.6m shares.

The company announced that it had bought a further 2m shares at 272p, to add to the 3.5m purchased on Tuesday at 271p. Tesco said the shares were to meet obligations under its Employee Profit Sharing Scheme. BZW and NatWest Securities issued bullish recommendations on the stock.

Financial areas maintained their recent upward momentum, helped by a bullish note published by BZW.

BZW said Kleinwort Benson "may prove more vulnerable to a takeover than Warburgs, if only because its size means there is a much wider range of possible bidders". The recommendation helped Kleinwort shares recoup some of the loss suffered earlier in the week. They closed 8 better at 641p. Schroders, BZW's prime selection in the sector, added 12 at 1595p.

Among the fund management stocks, **Edinburgh Fund Management** climbed 28 to 751p, **Henderson Administration** 15 to 1098p, **M&G** the same to 1093p, **Perpetual** 80 to 1490p and **Mercury Asset Management** 13 to 779p.

Dealers cited the lack of dividend increase, together with the company's cautious remarks about trading in the last few months. BZW raised its current-year profits estimate by £10m to £178m.

Electronics engineer Smiths Industries enhanced its recent strong performance, jumping 13 to 484p on the back of better than expected interim results.

MARKET REPORTERS:
Steve Thompson,
Peter John, Joel Kibazo,
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FINANCIAL TIMES EQUITY INDICES

	Apr 12	Apr 11	Apr 10	Apr 7	Apr 6	Yr ago	*High	*Low
Ordinary Share	2447.5	2434.3	2444.4	2454.1	2447.1	2483.7	2454.1	2238.3
Ord. div. yield	4.32	4.34	4.33	4.31	4.32	3.73	3.73	4.31
P/E ratio net	16.80	16.90	16.61	16.88	16.83	21.33	21.33	16.57
P/E ratio nil	16.72	16.81	16.72	16.79	16.73	22.21	22.21	15.77

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2433.0	2436.9	2435.9	2444.1	2440.8	2440.4	2438.9	2444.8	2448.6	2448.6	2431.6

	Apr 12	Apr 11	Apr 10	Apr 7	Apr 6	Yr ago
SEAQ bargains	21,461	22,139	22,318	23,599	33,621	25,072
Equity turnover (£m)†	-	1822.2	1212.1	1542.0	1772.1	1453.8
Equity bargains†	-	36,134	33,429	35,304	49,546	29,910
Shares traded (m)†	-	643.1	502.3	574.6	740.2	623.7

†Excluding intra-market business and overseas turnover

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	780	Total Highs	179	Total contracts	29,221
Total Falls	404	Total Lows	56	Calls	14,287
Same	1,871			Puts	14,934

April 12 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3210.0	3235.0	+25.0	3238.0	3205.0	11552	70883
Sep	3248.5	3258.0	+25.0	3248.5	3248.5	2	1810
Dec		3288.0	+25.0			0	9

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3505.0	3515.0	+10.0	3515.0	3505.0	93	4402

■ FT-SE 100 INDEX OPTION (LIFFE) (*3210) £10 per full index point

	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P
Apr	175	1	127	1½	80½	4	37	14	11½	42	2½	90	1	140	1	190
May	189½	8	145	14½	106	25	71½	41½	44½	65	25½	99	13	141	6	190
Jun	202½	20	164	31½	128	45	98	65½	71½	89½	50	119	34	154½	21	195
Jul	226½	34	189½	46½	154½	61½	124½	81½	95½	104½	74½	132½	55	165½	40½	203½
Dec†			265	92			204½	130			155	181			112	239

Calls 5,065 Puts 7,151

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P
Apr	200	1½	150½	1½	102½	3	58	9½	22	23	6	57	2	102½	1½	151½
May	211	5½	166	10	124	18	87	30	57	50	34½	77	19	111½	10	151½
Jun	226	18	185	26½	147	38½	113½	54	83½	73½	58	97½	38	127	23½	161½
Sep	274	47			201½	71½			139½	106½			90½	154½		
Dec†	318½	67½			251½	96			192½	132			138½	174		

Calls 2,198 Puts 2,542 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
150	F.P.	533.0	172	154	Albright & Wilson	170		R6.0	1.5	4.4	18.9
-	F.P.	17.5	201	170	Beale	171		H5.9	-	4.3	-
-	F.P.	4.90	164	113	Brit Aerospace Uts	158	+4	-	-	-	-
-	F.P.	35.3	181	123	Colleagues	156	+1	-	-	-	-
§128	F.P.	15.6	135	130	Dailywin	130		Rv6.0	2.2	5.8	6.8
§130	F.P.	51.4	153	138	Datrontech	153	+8	-	-	-	17.8
175	F.P.	102.7	178	170½	Expro Intl	174		Wv6.0	3.3	4.3	13.0
100	F.P.	20.0	101	100	F&C SUIT Units	100		-	-	-	-
100	F.P.	29.7	101	99	Geared Inc Inv C	99		-	-	-	-
§135	F.P.	15.5	138	115	Golden Rose	123	+3	-	-	-	-
100	F.P.	156.4	105	95	HTR Inc Gth Sp Inc	104	+½	-	-	-	-
476	170	6,038.2	193	159½	*Natl Power (P/P)	185	+1½	F15.45	2.8	4.1	12.9
90	F.P.	17.5	92	90	PTS	92		L3.0	1.9	4.9	13.3
512	185	3,335.7	206	178½	*PowerGen (P/P)	182		F15.0	3.2	3.7	11.0
-	F.P.	94.4	533	493	Schroder I G Uts	533	+1	-	-	-	-
100	F.P.	23.2	98	95	Scott Or Smlr Cos	98	+2	-	-	-	-
50	F.P.	2.57	52	37	Superframe	37	-2	Rv2.0	1.8	6.8	8.1
-	F.P.	0.03	1600	5	Do. Warrants	5		-	-	-	-
97	F.P.	48.2	158	132	Vision	156		-	-	-	-
145	F.P.	64.2	183	170	Zotefoams	177	+1	Wv4.85	2.1	3.3	17.9

* Note: Issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

	Apr 11	% chg on day	Apr 10	Apr 7	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1831.23	-0.3	1838.72	1896.79	1881.41	2.19	2337.90	1687.81
■ Regional Indices								
Africa (16)	2561.74	-1.5	2703.08	2840.80	2304.45	5.10	3711.87	2304.45
Australasia (7)	2351.05	-1.8	2394.99	2422.18	2638.28	1.80	2951.49	1788.20
North America (11)	1681.93	+0.8	1649.51	1691.33	1642.96	0.79	1911.21	1348.18

 † Partial.
Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Apr 12	Day's chge%	Apr 11	Apr 10	Apr 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3209.8	+0.6	3190.9	3204.2	3210.8	3145.8	4.25	1.90	15.49	49.29	1245.19
FT-SE Mid 250	3493.1	+0.3	3484.3	3490.3	3497.6	3801.2	3.69	1.85	18.34	37.14	1330.43
FT-SE Mid 250 ex Inv Trusts	3502.1	+0.2	3493.5	3500.5	3509.1	3817.8	3.83	1.91	17.07	38.38	1332.41
FT-SE-A 350	1592.0	+0.5	1583.8	1589.5	1592.9	1568.2	4.12	1.89	16.04	22.77	1282.36
FT-SE-A 350 Higher Yield	1604.2	+0.6	1595.2	1601.3	1605.7	1599.8	5.07	1.68	14.66	29.76	1049.86
FT-SE-A 350 Lower Yield	1579.8	+0.5	1572.6	1577.9	1578.8	1555.0	3.02	2.30	18.04	15.44	1052.03
FT-SE SmallCap	1739.63	+0.1	1737.34	1733.77	1733.70	1925.58	3.47	1.57	22.96	18.14	1374.26
FT-SE SmallCap ex Inv Trusts	1715.99	+0.1	1714.16	1710.86	1711.28	1896.47	3.69	1.63	20.74	18.20	1360.39
FT-SE-A ALL-SHARE	1570.84	+0.5	1563.24	1568.20	1571.24	1588.59	4.07	1.67	16.42	22.01	1286.29

■ FT-SE Actuaries All-Share

	Apr 12	Day's chge%	Apr 11	Apr 10	Apr 7	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2749.23	-0.7	2730.59	2741.88	2735.81	2597.81	3.75	1.75	19.10	52.85	1132.04
12 Extractive Industries(7)	3725.90	+0.5	3707.64	3724.22	3732.94	4023.94	3.78	1.96	10.86	91.07	1054.82
15 Oil, Integrated(3)	2737.79	+0.8	2716.27	2726.64	2714.53	2510.75	3.87	1.79	18.07	50.43	1152.05
16 Oil Exploration & Prod(14)	1965.85	.....	1965.43	1978.17	1997.49	1852.12	2.51	0.43	80.00†	31.57	1156.58
20 GEN INDUSTRIALS(279)	1891.22	+0.5	1882.53	1886.97	1880.73	2093.95	4.15	1.83	18.48	25.30	986.38
21 Building & Construction(38)	972.85	+0.1	971.75	978.33	976.82	1358.83	4.08	1.87	16.37	13.94	779.51
22 Building Matls & Merchs(31)	1768.51	-0.3	1772.99	1781.55	1789.42	2148.14	4.17	1.89	15.88	20.53	851.55
23 Chemicals(22)	2298.85	+0.5	2287.02	2284.59	2261.89	2470.74	4.11	1.37	22.13	32.31	1042.79
24 Diversified Industrials(16)	1852.80	+1.2	1831.45	1835.25	1841.09	2059.81	5.15	1.45	16.71	37.72	979.89
25 Electronic & Elect Equip(37)	2000.47	+1.0	1980.99	1993.40	1997.78	2070.44	3.65	1.92	17.82	8.51	992.92
26 Engineering(72)	1837.13	-0.1	1835.04	1844.47	1840.62	1944.37	3.36	1.89	19.72	18.31	1070.08
27 Engineering, Vehicles(13)	2209.50	.....	2210.39	2216.82	2238.26	2378.15	4.14	0.47	64.17	29.26	1096.48
28 Paper, Pckg & Printing(27)	2831.33	-0.1	2834.22	2848.31	2851.85	2905.38	3.37	2.28	16.23	35.28	1135.88
29 Textiles & Apparel(21)	1570.47	+0.2	1567.01	1565.26	1576.48	1827.82	4.48	1.27	22.07	24.86	917.30
30 CONSUMER GOODS(94)	3023.90	+0.3	3015.38	3022.73	3036.07	2714.84	4.29	1.59	18.34	51.38	1088.72
31 Breweries(18)	2286.32	.....	2285.86	2286.09	2293.69	2266.96	4.19	2.00	14.82	12.19	1047.57
32 Spirits, Wines & Ciders(10)	2752.49	+0.5	2738.57	2729.84	2740.81	2915.12	4.22	1.83	16.20	34.17	949.52
33 Food Producers(24)	2429.37	+0.3	2421.17	2422.96	2450.05	2341.15	4.18	1.98	15.15	48.30	1053.92
34 Household Goods(10)	2481.75	.....	2482.85	2487.73	2498.07	2618.87	3.71	0.86	38.97	49.84	817.24
36 Health Care(18)	1588.19	+0.3	1583.47	1590.54	1590.26	1731.51	3.07	1.07	38.22	8.14	890.82
37 Pharmaceuticals(12)	3802.88	+0.1	3800.52	3820.73	3821.24	2752.30	4.08	1.20	25.56	49.21	1236.87
38 Tobacco(2)	3778.60	+0.3	3767.98	3777.94	3804.11	3925.42	5.99	1.63	12.78	131.29	895.35
40 SERVICES(229)	1933.59	+0.3	1931.54	1941.85	1951.22	2049.88	3.37	2.11	17.59	17.49	967.31
41 Distributors(32)	2395.21	+1.1	2368.22	2375.83	2369.44	3002.10	3.87	1.94	16.21	29.36	851.33
42 Leisure & Hotels(29)	2174.07	.....	2174.82	2171.05	2182.10	2261.41	3.53	1.58	22.40	28.91	1083.10
43 Media(43)	2970.52	+0.5	2973.08	2973.87	2979.38	3102.31	2.69	2.35	19.82	35.09	1012.18
44 Retailers, Food(16)	1660.58	-0.3	1665.96	1669.74	1669.46	1665.71	3.82	2.48	13.93	4.43	1125.87
45 Retailers, General(44)	1623.55	+0.5	1615.80	1624.41	1635.33	1762.06	3.37	2.13	17.46	10.89	889.65
48 Support Services(34)	1493.25	+0.1	1495.13	1499.38	1504.82	1536.13	2.85	2.46	17.81	10.37	924.13
49 Transport(21)	2198.77	-0.1	2200.57	2234.81	2257.09	2558.30	3.91	1.81	16.73	25.05	878.40
51 Other Services & Business(7)	1203.48	+0.4	1198.56	1187.47	1194.09	1182.92	3.74	1.22	27.30	34.09	1109.03
60 UTILITIES(37)	2291.63	+0.6	2278.34	2282.38	2291.56	2318.23	4.75	1.63	13.62	6.85	902.93
62 Electricity(17)	2146.37	+0.4	2138.53	2124.32	2133.10	2240.66	4.76	2.57	9.84	19.89	919.41
64 Gas Distribution(2)	1973.27	-0.4	1981.15	1990.75	1978.57	1938.01	6.07	0.95	31.48	0.00	926.63
66 Telecommunications(6)	2003.29	+1.2	1979.05	1982.73	2008.45	2039.04	4.08	1.69	18.10	0.13	888.48
68 Water(13)	1825.34	-0.3	1831.74	1827.61	1827.78	1782.26	5.46	2.74	8.33	4.62	850.86
69 NON-FINANCIALS(663)	1691.04	+0.4	1684.80	1690.11	1695.93	1700.75	4.04	1.79	17.31	20.66	1223.12
70 FINANCIALS(116)	2296.51	+1.1	2271.40	2280.79	2273.15	2292.82	4.60	2.32	11.73	55.89	940.78
71 Banks, Retail(9)	3074.74	+1.2	3037.55	3054.39	3041.20	2613.57	4.46	2.52	9.58	93.58	954.24
72 Banks, Merchant(6)	3154.06	+0.7	3131.85	3108.19	3108.37	3021.42	3.57	2.54	13.38	26.62	967.02
73 Insurance(26)	1260.49	+1.3	1244.22	1272.83	1289.11	1370.38	5.54	1.64	13.76	33.96	910.99
74 Life Assurance(6)	2591.65	+1.3	2557.72	2578.59	2568.73	2944.70	5.24	1.33	17.98	67.66	1038.51
77 Other Financial(23)	1962.51	+0.5	1953.53	1949.71	1947.31	1934.54	3.83	2.31	13.77	20.90	1072.80
79 Property(48)	1363.21	+0.6	1354.95	1363.45	1351.09	1653.18	4.41	1.18	23.80	11.62	797.72
80 INVESTMENT TRUSTS(133)	2649.63	+0.2	2643.06	2640.80	2640.35	2863.10	2.04	1.02	50.88	20.18	902.22
89 FT-SE-A ALL-SHARE(914)	1570.84	+0.5	1563.24	1568.20	1571.24	1588.59	4.07	1.67	16.42	22.01	1286.29
FT-SE-A Fledgling	964.07	+0.1	963.10	963.05	963.06		3.10	1.14	35.25	8.69	972.75
FT-SE-A Fledgling ex Inv Trusts	959.32	+0.1	958.37	958.44	958.61		3.29	1.17	32.69	9.21	968.50

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3188.0	3194.1	3194.3	3204.1	3199.7	3198.0	3194.8	3204.3	3209.9	3211.2	3187.2
FT-SE Mid 250	3481.9	3481.1	3483.9	3487.0	3487.5	3487.2	3488.4	3489.9	3492.9	3493.1	3480.4
FT-SE-A 350	1582.8	1584.7	1585.1	1588.1	1587.5	1586.8	1586.5	1589.5	1592.0	1592.0	1582.0

Time of FT-SE 100 Day's high: 3.30pm Day's low: 8.43am. FT-SE 100 1995 High: 3210.9(7/4) Low: 2954.2 (23/1)

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	954.0	954.1	952.8	953.0	952.7	952.9	952.3	953.3	955.9	956.3	955.3	[illegible]
Pharmaceuticals	3755.3	3758.3	3754.2	3770.8	3759.7	3764.5	3780.4	3764.0	3774.0	3768.9	3787.5	[illegible]
Water	1823.4	1823.4	1822.9	1822.0	1818.1	1818.8	1810.8	1817.9	1818.0	1818.7	1825.2	[illegible]
Banks, Retail	3063.6	3062.4	3091.1	3094.6	3089.0	3058.0	3085.7	3097.8	3114.9	3114.0	3079.3	+37.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible] © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. [illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	1,300	338	-2
ASDA Group†	2,700	75¼	+¼
Abbey National†	3,500	474½	-2½
Albert Fisher	447	40½	-½
Allied Domecq†	1,100	538	+1
Anglian Water	780	483	
Argos	114	403	-2
Argyll Group†	2,400	281	-½
Arjo Wiggins†	1,300	262½	-½
Assoc. Brit. Foods†	963	649	+11
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All trades are included.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 12 / Sch)

BELGIUM/LUXEMBOURG (Apr 12 / Frs.)

CZECH REP (Apr 12 / Koruna)

DENMARK (Apr 12 / Kr)

FINLAND (Apr 12 / Mkka)

FRANCE (Apr 12 / Frs.)

GERMANY (Apr 12 / Dm.)

GREECE (Apr 12 / Drachma)

ITALY (Apr 12 / Lira)

NETHERLANDS (Apr 12 / Fls.)

NORWAY (Apr 12 / Kroner)

POLAND (Apr 11 / Zloty)

PORTUGAL (Apr 12 / Escudo)

SPAIN (Apr 12 / Pts.)

SWEDEN (Apr 12 / Kronor)

SWITZERLAND (Apr 12 / Frs.)

TURKEY (Apr 12 / Tk Lira)

PACIFIC

JAPAN (Apr 12 / Yen)

HONG KONG (Apr 12 / H.K.$)

INDONESIA (Apr 12 / Rupiah)

MALAYSIA (Apr 12 / MYR)

NEW ZEALAND (Apr 12 / NZ $)

SINGAPORE (Apr 12 / S$)

AUSTRALIA (Apr 12 / Aust$)

SOUTH KOREA (Apr 12 / Won)

TAIWAN (Apr 12 / TW $)

THAILAND (Apr 11 / Baht)

NORTH AMERICA

CANADA

TORONTO (Apr 12 / Can $) 4 pm close

MONTREAL (Apr 12 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Apr 12 / Rand)

INDICES

US INDICES

Dow Jones	Apr 11	Apr 10	Apr 7	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4187.05	4198.15	4192.62	4205.41 (6/4)	3832.08 (30/1)	4205.41 (6/4/95)	41.22 (2/7/32)
Home Bonds	98.79	98.48	98.50	98.79 (11/4)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1643.66	1645.99	1644.24	1655.87 (30/3)	1473.19 (3/1)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	192.06	193.38	194.04	196.74 (8/2)	183.03 (3/1)	256.46 (21/6/93)	10.50 (8/4/32)

DJ Ind. Day's high 4229.87 (4219.84) Low 4166.06 (4163.91) (Theoretical†) Day's high 4216.14 (4203.68) Low 4182.93 (4180.86) (Actual†)

Standard and Poors	Apr 11	Apr 10	Apr 7	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	506.63	507.01	506.42	507.01 (10/4)	459.11 (3/1)	507.01 (10/4/95)	4.40 (1/6/32)
Industrials♥	599.84	601.39	600.37	601.39 (10/4)	546.28 (3/1)	601.39 (10/4/95)	3.62 (21/6/32)
Financial	47.37	47.75	47.01	47.81 (7/4)	41.41 (2/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	273.29	273.98	273.73	273.98 (10/4)	260.73 (3/1)	273.98 (10/4/95)	4.46 (25/4/42)
Amex Mkt Val	470.73	471.23	469.35	471.23 (10/4)	433.12 (6/1)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	824.89	821.28	814.89	828.14 (28/3)	743.58 (3/1)	828.14 (28/3/95)	54.87 (31/10/72)

■ RATIOS

	Apr 7	Mar 31	Mar 24	Year ago
Dow Jones Ind. Div. Yield	2.61	2.64	2.65	2.78

	Apr 6	Mar 29	Mar 22	Year ago
S & P Ind. Div. yield	2.26	2.27	2.33	2.51
S & P Ind. P/E ratio	18.11	18.05	17.60	23.55

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Motorola	11,047,600	54½	-2
PMI Group	8,250,800	37½	+3½
Adv Micro	4,858,000	33½	-3¼

■ TRADING ACTIVITY

● Volume (million)

	Apr 11	Apr 10	Apr 7
New York SE	309.705	280.981	317.261
Amex	16.750	18.246	17.758
NASDAQ	332.184	274.677	295.831

INDEX FUTURES

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

■ TOKYO – MOST ACTIVE STOCKS: Wednesday, April 12, 1995.

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Tosoh Corp	7.9m	437	+19	Mitsubishi Hvy	2.8m	625	+5
Sumitomo M&F Ins	4.3m	693	-25	Nippon Steel	2.7m	333	+1
Mitsui Mn & Sm	3.5m	336	+13	Kawasaki Kisen	2.6m	294	+6
Fudo Const	3.4m	905	+4	Hitachi	2.4m	858	+5
Nitsuko Corp	3.0m	1,050	+54	Toshiba Corp	2.3m	585	+3

4 pm close April 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

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4 pm close April 12

NYSE COMPOSITE PRICES

Continued from previous page

-X-Y-Z-

1995 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
120½	86½	Xerox	3.00	2.6	17	1248	117¼	115⅝	115¾	-1⅜
52½	44⅛	Xtra Corp	0.64	1.4	12	1031	45⅞	45⅜	45¾	+⅜
22⅜	20	Yankee Egy	1.22	6.0	11	38	20⅝	20⅜	20⅜	
39¾	34⅛	York Ind	0.18	0.4	18	936	u39⅞	38¾	39⅞	+1⅛
4⅜	3¼	Zapata	9 14	3.7	12	1083	3⅞	3⅝	3¾	-⅛
12⅛	6⅞	Zenith El			22	7788	7⅞	7¼	7⅝	+½
22¾	19¾	Zenith Nat	1.00	4.8	10	130	20⅞	20⅝	20⅝	-¼
6⅝	6⅛	Zenix Inc	0.78	11 4		107	u6⅝	6½	6⅝	
14⅝	17⅝	Zero	0.44	3.1	15	65	14⅜	14⅛	14⅛	-¼
20¼	16⅞	Zurn Ind	0.88	4.3	77	227	u20¼	20	20¼	+⅛
11¼	10⅜	Zweig Fund	1.04	9.8		188	16¾	19½	16⅝	-⅛
8¼	7⅞	Zweig Tot! x	0 84	9 9		259	8½	8⅝	8½	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. pfd-preferred. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
§ Dealings suspended.

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AMEX COMPOSITE PRICES

4 pm close April 12

NASDAQ NATIONAL MARKET

4 pm close April 12

AMERICA

Chrysler leaps 24% on news of Kerkorian bid

Wall Street

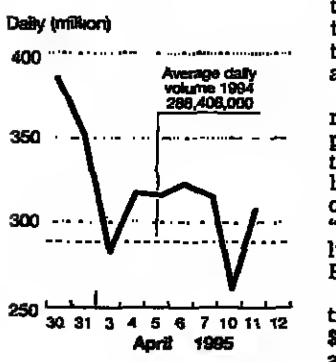
US share prices were mostly flat yesterday as data on consumer prices came in generally as expected and the dollar held steady against the Japanese yen and the D-Mark, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was 4.15 higher at 4,191.23, while the more broadly based Standard & Poor's 500 showed a small rise of 0.45 at 505.98.

The American Stock Exchange composite was up 0.25 at 470.98. Meanwhile, the Nasdaq composite added 1.12 at 825.95.

NYSE volume

Daily (million)



Trading volume oo the New York SE was beavy at 193m shares, and declining issues led advancing ones by a nine-to-eight margin.

News that the consumer price index was only slightly below analysts' expectations did bittle to cheer Wall Street.

The Dow Industrial Average managed to gain just 8 points on the news in the first hour of trading before falling back to nearly flat. According to the Labor Department, consumer prices increased by 0.2 per cent in March, versus analysts' estimates of a 0.3 per cent rise.

Trading on the New York Stock Exchange was dominated by dealing in the shares of Chrysler, which jumped nearly 24 per cent or $9¾ to $48¾ on news that Tracinda, Mr Kirk Kerkorian's investment vehicle, had proposed a takeover of the carmaker.

Near 1 pm, volume in the company's shares was already 24.5m, versus average volume in a full day of trading of 2.2m.

Discussion of a possible takeover of the smallest of the big three auto makers helped boost the shares of Ford and General Motors in spite of a report showing that car sales in the first 10 days of April had hit their lowest level in more than three years. Ford increased $⅝ to $27⅝ and GM was $¾ higher at $44⅝.

In other action, Avid Technology forged ahead nearly 15 per cent, rising $4⅝ to $35⅝, on the heels of a successful analysts meeting and an upgrade of the company to "buy" from "market performer" by an analyst at the securities house Piper Jaffray.

H & R Block, tha tax preparation company, jumped $4¼ to $46¼ after the chief executive announced his resignation.

UAL, the parent company of United Airlines, got a boost from an announcement from Mr Gerald Greenwald, the carrier's chairman, that it would replace 94 aircraft in the next five years and increase the total uumber of planes by 19 by 1997. Shares in the company gained $2⅝ at $68⅝ on the news.

In other airline news, Delta Air Lines and Continental Airlines got a boost from S.G. Warburg, which initiated coverage of those carriers with a "buy" recommendation. Delta gained $¾ at $63¾ and class A shares of Continental were up $⅝ at $12⅝.

Canada

Torooto meandered slightly higher at noon, the market unable to maintain the pace of Tuesday's rally. The TSE-300 Composite index rose 1.96 to 4,276.94 in volume of 24.7m shares.

Consumer products led gaining sectors, up 51.83 to 6,510.52, as Seagram continued to rebound.

The shares traded C$⅝ higher at C$37¾ after suffering heavy losses last week following the sale of its stake in Dupont to buy MCA.

Scott Paper jumped C$2¼ to C$17½ after Smith Barney initiated Scott as a buy.

Class A shares in Magna International, the motor parts maker, rose C$2 to C$50¼, lifted by the soaring Chrysler shares.

Latin America

BRAZIL retreated in light midday trade ahead of futures index settlement. The Bovespa index was down 1,135 at 29,042 in turnover of R$126m.

MEXICAN shares fell sharply in early trade on a fall in Telmex, which is heavily weighted in the index. The IPC index was 36.44 lower at 1,828.52 as Telmex ADRs dipped $1 to $27⅝.

CARACAS drifted higher in low volume, ahead of a four-day break for Easter. The Merinvest composite index firmed 0.8 to 91.98.

Trading was sparse, with about 51m bolivars worth of shares changing hands.

Electricidad de Caracas moved forward 3.40 bolivars to 180 bolivars.

BUENOS AIRES was slightly weaker as worries remained about the banking system. The Merval index declined 3.85 to 358.71.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Apr. 7 1995	% Change over week	% Change on Dec '94	Local currency terms Apr. 7 1995	% Change over week	% Change on Dec '94
Latin America	(257)	423.83	+5.2	-27.0			
Argentina	(30)	649.32	-1.1	-11.6	398,280.70	-1.1	-11.6
Brazil	(72)	268.40	+3.4	-30.2	902.37	+3.8	-25.9
Chile	(36)	766.00	+5.5	-2.3	1,212.65	+3.2	-3.8
Colombia[1]	(16)	727.67	-2.6	-10.3	1,120.34	-3.6	-6.3
Mexico	(71)	394.69	+10.8	-35.1	1,083.47	+5.0	-16.1
Peru[2]	(20)	162.90	+16.2	-8.7	225.77	+16.6	-5.1
Venezuela[3]	(12)	410.94	+0.6	-17.0	1,603.93	+0.6	-17.0
Asia	(657)	237.55	+0.3	-4.8			
China[4]	(20)	71.80	-1.5	-5.4	76.44	-1.6	-5.6
South Korea[5]	(159)	128.26	-1.2	-6.2	129.68	-1.5	-8.5
Philippines	(25)	250.65	+1.8	-15.9	315.67	+2.2	-10.2
Taiwan, China[6]	(93)	151.16	+1.4	-8.1	145.74	+0.2	-10.2
India[7]	(101)	108.62	+5.4	-13.7	118.95	+5.4	-13.6
Indonesia[8]	(42)	92.35	+0.9	-7.4	111.89	+0.6	-6.0
Malaysia	(114)	271.93	-0.2	-1.2	250.20	-1.7	-1.2
Pakistan[9]	(36)	303.42	+3.8	-17.1	425.08	+3.8	-16.9
Sri Lanka[10]	(19)	136.82	-0.8	-20.4	146.35	-1.2	-21.1
Thailand	(68)	357.37	-2.6	-6.8	348.78	-2.9	-8.8
Euro/Mid East	(147)	138.96	+5.7	+17.3			
Greece	(40)	234.31	-1.0	+3.8	356.71	-0.3	-3.0
Hungary[11]	(5)	114.02	+3.4	-24.9	162.04	+2.6	-21.6
Jordan	(8)	162.50	+3.2	+8.3	234.60	+2.8	+5.5
Poland[12]	(16)	406.34	+11.9	-13.4	597.42	+11.0	-17.0
Portugal	(29)	127.70	+0.6	+5.5	128.01	+1.6	-3.4
South Africa[13]	(62)	235.45	+3.3	+4.8	174.58	+3.7	-7.7
Turkey[14]	(44)	168.20	+10.8	+38.2	3,320.44	+10.4	+50.0
Zimbabwe[15]	(5)	222.75	+6.3	-9.0	278.82	+7.1	-7.5
Composite	(1061)	268.05	+2.6	-12.8			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993.

India, down nearly 14 per cent in dollar terms so far this year, has attracted the attention of James Capel's emerging markets gronp, writes John Pitt.

Mr Nigel Rendell, the broker's strategist, said the recent state elections and bndget had removed some of the uncertainties surrounding the market. "In the short term," he said, "politics should be a less significant influence, given that the national elections are still some 12 months away. Althongh liquidity is still not a positive factor, with the GDR market comparatively thin, a strong economic and corporate background and modest valnation should start to work in India's favour."

By contrast, Pakistan, off 17 per cent in dollar terms since January 1, is a far less attractive proposition, said Mr Rendell, given the likelihood that inflation, estimated at 15 per cent by the year-end, shows no sign of coming down into single digits.

Vietnam is the next country planning to open an equity and bond market, although this is not likely to happen until 1996 or 1997, and the participation of foreign investors can be expected to be limited, at least at first.

A seulor government official said late last week that the country needed to maintain a stable currency and a high rate of economic growth before opening such markets. According to Standard Chartered: "Hanoi has signalled clearly that it does not wish to host a market prone to share price volatility, and that the speculative excesses seen on Shenzhen and other exchanges will not be welcomed."

EUROPE

Volvo up 5.3% on investment bank sale

Activity began to wind down ahead of the long weekend break. The bid for Chrysler had little effect on European car shares.

STOCKHOLM featured a 5.3 per cent jump in Volvo on news that the company had sold its Alfred Berg investment banking unit to the Dntcb ABN Amro.

The shares advanced SKr7 to SKr138.50, with analysts sceptical about suggestions that Tracinda's bid for Chrysler had reopened speculation about Volvo as a takeover and break-up candidate. "The Volvo shares were already firming ou the Alfred Berg divestment, with investors welcoming the clean break and the price achieved," said one analyst.

In otherwise mostly quiet trade, the Affarsvariden index picked up 6.9 to 1,516.80.

PARIS improved slightly in thin turnover. The CAC-40 index rose 2.62 to 1,871.93, with shares worth FFr3.4bn changing hands.

Eurotunnel continued to be heavily traded as some investors returned as buyers, believing that Tuesday's sell-off had been overdone and that the group would be successful in its efforts to refinance. The shares rose 20 cents to FFr15.

Alcatel-Alsthom lost FFr4 at FFr455.20 and there were market rumours that Mr Marc Vlenot, chairman of SocGen, and a non-executive director of Alcatel, might become the group's interim head if an appeal court upheld a ban on Mr Pierre Suard holding that position. The court is due to consider the case tomorrow, and the Alcatel board is scheduled to meet on April 18 to discuss the issue.

Among motors, Peugeot rose FFr2 to FFr652 and Renault put on FFr3 at FFr166.

Clarins, up FFr14.10 at FFr452, pleased the market with 1994 results slightly higher than expectations.

FRANKFURT drifted Wednesday to end slightly lower than in ths previous close in official floor trading on the Frankfurt Stock Exchange amid thin pre-holiday trading volumes.

The DAX index fell 5.26 to 1,988.47 in official hours, and in the Ibis finished at 1,991.08.

Daimler-Benz aroused little interest from its press conference, with hardly anything new for analysts to write about. The shares slipped DM6 to DM648. Among other car stocks, BMW added DM1 at DM710, while Volkswagen shed DM6.80 to DM368.20. In tyres, Continental, which said it would pay an unchanged dividend of DM4 per share for 1994, rose DM3 to DM205.

BRUSSELS made ground after a further small rate cut by the central bank. The Bel-20 index rose 6.06 to 1,365.24.

Petrofina was one of the best performers, rising BFr110 or 1.3 per cent to BFr8,760.

MILAN was heartened by news that the government and unions had reached a draft accord on pension fund reform and equity prices edged higher, boosted by late short-covering ou the last day of the April account. The Comit index was 0.13 higher at 593.11, while the real-time Mibtel index moved ahead 42 to 9,520.

A sudden surge in the Mibtel index, shortly after the government and unions announced their agreement, was subsequently attributed to a wrong price being recorded for Generali shares. Generali leapt more than 9 per cent and was immediately suspended. Because of the insurer's heavy weighting in the bourse, the Mibtel index jumped more than 2 per cent. After the price error had been corrected, the index showed a rise of just 0.2 per cent.

The insurance sector was, however, a major beneficiary of the potential for a huge market in private pension funds. Generali finished L456 higher at L38,500, RAS L500 at L15,352, SAI L361 at L15,974 and Alleanza L272 at L16,088.

The banks climbed aboard the same bandwagon, taking BCI L69 higher to L3,430, Credito Italiano L37 ahead to L1,714 and San Paolo up L173 to L8,682.

AMSTERDAM made slight headway in a dull market. The AEX index advanced 0.91 to 404.94.

ABN Amro, which is to buy the Alfred Berg investment bank from Volvo, of Sweden, gained 90 cents at Fl 59.70.

ING was up 40 cents at Fl 79.40 as it confirmed that Baring Capital Investors was to form a consortium to bid for Swedish Match. Nedlloyd eased 20 cents to Fl 43.90 ahead of today's 1994 earnings report.

Fokker put on 20 cents or 2.3 per cent at Fl 8.90 after Daimlar-Benz, the majority shareholder, said it expected an improvement in 1996 results and a return to profit in 1997. However, further job cuts and "a drastic restructuring programma" were necessary before that was achieved.

ZURICH was again unable to make progress, with investors unwilling to open new positions ahead of the long Easter holiday, which begins at lunchtime today. Tha SMI index eased 0.7 to 2,562.4.

Written and edited by Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Apr 12 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1277.64	1278.51	1277.94	1278.21	1277.35	1277.07	1280.27	1281.77
FT-SE Eurotrack 200	1376.42	1376.93	1376.84	1375.12	1374.98	1374.63	1377.72	1378.71

	Apr 11	Apr 10	Apr 7	Apr 6	Apr 5
FT-SE Eurotrack 100	1281.08	1282.54	1281.80	1277.00	1287.84
FT-SE Eurotrack 200	1380.31	1376.53	1380.37	1378.90	1372.50

Base 1000 (26/10/90); Highday: 100 - 1281.77; 200 - 1379.57 Lowday: 100 - 1275.79 200 - 1372.51 † Partial

ASIA PACIFIC

Stable yen helps Nikkei ahead for third day

Tokyo

Reduced volatility on the currency market encouraged arbitrage buying and purchases by domestic and foreign investors, and the Nikkei 225 average gained ground for the third consecutive day, *writes Emiko Terazono in Tokyo.*

The index was up 76.04 at 16,344.92 after fluctuating in a narrow range of 16,233.92 and 16,434.48. Lower futures prices in the morning depressed the cash market, but foreign investors and individuals returned in the afternoou as the yen remained stable around Y83 to the dollar.

The Topix index of all first section stocks put on 3.68 at 1,304.99 and the Nikkei 300 inched up 0.42 to 241.81. Gainers led losers by 606 to 359, with 161 issues unchanged. In London the ISE/Nikkei 50 index was 1.94 firmer at 1,078.15.

Volume totalled 251m shares, against 213m. Many investors stayed on the sidelines ahead of the governmeot's announcemeot tomorrow of its ecooomic package to halt the yeo's appreciatioo.

However, some individuals and dealers traded speculative favourites, while other investors sought bigh-technology blue chips which had been sold by overseas investors earlier this year, and more recently sold off due to the yen's streogth.

Short-covering and purchases by domestic investors and dealers helped high-technology stocks. Hitachl improved Y5 to Y858. Toshiba Y3 to Y585, Sony Y50 to Y4,300 and Matsushita Electric Industrial Y10 to Y1,400.

Tosoh, a chemical company, was the most active issue of the day, advancing Y19 to Y437. Individual investors and dealers traded the stock on lingering enthusiasm over reports of the company's development of an anti-Aids drug last month.

Reports of cost cutting through staff rednctions helped Japan Airlines to rise in the morning, but subsequent profit-taking left the stock unchanged on the day at Y585.

In Osaka, the OSE average rose 63.56 to 18,053.31 in turnover of 10.6m shares.

Roundup

Low volumes suggested that many investors were already preparing for the weekend holidays. Bangkok was closed.

KUALA LUMPUR was led higher by blue chips, in a technical rebound after days of unabated selling by foreign and local investors worried about the plunging dollar and in the absence of local incentives. The day's rally was, however, in extremely low volumes, suggesting that it was unlikely to continue. The composite index gained 9.73 at 966.01 in volume of 89m shares.

HONG KONG ended marginally lower after light US buying erased most of an early 60-point loss, but trading was very quiet. The Hang Seng index shed 4.91 to 8,509.69 in turnover of HK$1.7bn.

Arbitrage-linked buying from US investors in the afternoon helped to lift Cheung Kong 30 cents to HK$34.60 and Hutchison 20 cents to HK$33.70.

SEOUL closed flat after a technical rally ran out of steam in extremely thin trading. The composite index finished just 0.20 up at 893.47 after tonching 898.99. Brokers said rising interest rates renewed worries about tight liquidity.

SINGAPORE edged higher in slack trade, with selected buying of blue chips supporting the market. The Straits Times Industrial index put on 7.90 at 2,062.50 in turnover of S$191m.

Cycle and Carriage dominated mnch of the market's attention, climbing 50 cents to S$12.40 in reaction to recent positive sales figures.

MANILA moved ahead for the third successive session, the composite index adding 12.76 at 2,496.78.

Among the major stocks, PLDT firmed 5 pesos to 1,630 pesos. Ayala Land "B" gained 50 centavos at 33 pesos on news that it was to join the consortium that plans to build the second Light Railway Transit System.

Volume expanded to 4.42bn shares from 2.42bn on trading in second line stocks.

SYDNEY breached the 2,000 level for the All Ordinaries index, adding 18.3 at 2,010.9, just off the day's high of 2,011.5. Turnover was A$476m.

WELLINGTON was easier, the NZSE-40 Capital index slipping 8.94 to 2,048.63. Carter Holt Harvey, which announced a $300m "Yankee" bond issue, eased a cent to NZ$3.47.

TAIPEI reversed early gains to finish lower on investor caution over a lack of liquidity in the market. The weighted index was finally 34.72 down at 6,462.34. Turnover was modest at T$34.3bn.

SHANGHAI'S hard currency B shares were lower in thin trade, pulled down by overseas selling on some uncertainty over China's stability after the death of Chen Yun, the veteran leader.

SOUTH AFRICA

Johannesburg was mixed in slow trade as golds managed a mild recovery on bullion's climb above $390 an oonce.

The overall index was 9.3 better at 5,352.2, indnstrials eased 6.9 to 6,658.5 and golds rose 19.4 to 1,460.1.

De Beers appreciated 50 cents to R92.50 and Anglos moved ahead R2 to R202 but JCI slipped 40 cents to R90.60.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY APRIL 11 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY APRIL 10 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (83)	171.30	0.5	158.11	90.56	124.77	153.90	0.6	3.84	170.51	158.63	89.55	124.80	152.92	180.82	157.95	168.64
Austria (27)	185.27	0.3	172.09	97.95	134.95	134.88	-0.1	1.28	184.78	171.90	97.04	136.02	134.95	198.89	167.46	180.64
Belgium (35)	185.95	0.6	172.72	98.31	135.44	132.05	0.4	4.00	184.81	171.93	97.06	135.04	131.57	187.75	161.88	164.92
Brazil (28)	111.19	-2.5	103.28	58.78	80.99	183.69	-2.5	1.76	114.03	106.09	59.89	83.32	188.39	-	-	-
Canada (103)	134.28	0.8	124.72	70.99	97.80	134.24	0.8	2.80	133.18	123.88	69.94	97.30	133.51	140.25	120.54	129.03
Denmark (33)	258.83	1.4	240.41	136.83	188.52	193.97	1.1	1.64	255.18	237.40	134.02	186.48	191.89	275.27	236.61	253.24
Finland (24)	184.65	0.3	171.51	97.62	134.49	166.63	0.0	1.43	184.15	171.32	96.71	134.56	166.57	201.41	133.88	147.73
France (101)	179.93	-0.3	167.13	95.12	131.06	137.83	-0.4	3.12	180.54	167.96	94.82	131.92	138.38	185.25	157.78	170.67
Germany (59)	148.70	1.2	138.12	78.61	108.30	108.30	0.9	2.06	146.95	136.71	77.18	107.38	107.38	154.81	132.08	139.34
Hong Kong (55)	340.62	0.3	316.38	180.07	248.10	338.14	0.3	3.98	339.50	315.85	178.30	248.08	337.05	416.42	277.40	392.71
Ireland (16)	216.47	0.3	201.07	114.44	157.67	188.62	-0.5	3.60	215.82	200.79	113.35	157.71	189.55	216.24	180.67	189.60
Italy (58)	67.21	-0.4	62.43	35.53	48.96	86.55	-0.2	1.77	67.48	62.78	35.44	49.31	86.69	67.78	65.45	92.19
Japan (483)	156.76	0.1	145.61	82.88	114.18	82.88	0.7	0.92	156.68	145.77	82.29	114.50	82.29	170.10	136.95	158.42
Malaysia (97)	479.28	0.0	445.18	253.38	349.10	458.98	0.1	1.75	479.13	445.75	251.64	350.11	458.27	594.76	398.18	444.20
Mexico (18)	917.30	-0.5	852.02	484.95	668.13	6293.39	-1.7	1.73	921.86	857.45	484.06	673.47	6404.01	2414.12	647.81	1909.45
Netherland (19)	235.43	-0.1	218.68	124.46	171.45	168.62	-0.3	3.74	235.66	219.25	123.77	172.20	169.07	238.83	194.56	201.46
New Zealand (14)	79.25	-0.9	73.61	41.90	57.73	63.50	-0.6	4.62	79.99	74.41	42.01	58.45	63.86	79.98	63.45	65.35
Norway (33)	214.80	0.8	199.51	113.58	156.45	182.75	0.4	2.31	213.52	198.84	112.14	156.02	182.08	217.74	177.53	192.52
Singapore (44)	358.52	-0.3	333.01	189.54	261.14	231.75	0.1	1.86	359.58	334.53	188.88	262.75	231.54	401.38	313.94	325.33
South Africa (59)	342.18	-1.2	317.83	180.90	249.23	269.42	-1.1	2.52	346.19	322.07	181.82	252.96	272.35	353.13	205.55	205.55
Spain (38)	134.05	-0.2	124.51	70.87	97.63	127.01	-0.4	4.49	134.35	124.99	70.56	98.17	127.47	150.21	124.10	142.75
Sweden (48)	243.02	-0.1	225.73	128.48	177.01	263.73	-0.2	2.18	243.39	226.44	127.83	177.85	264.38	247.40	196.70	217.54
Switzerland (47)	182.62	0.5	169.83	96.55	133.02	130.37	0.0	1.93	181.88	169.02	95.41	132.75	130.32	185.67	148.91	182.99
Thailand (46)	138.97	0.3	129.08	73.47	101.22	132.74	0.4	3.20	138.90	128.94	72.79	101.28	132.22	-	-	-
United Kingdom (203)	206.28	-0.2	191.60	109.08	150.25	191.60	-0.4	4.28	206.78	192.35	108.69	151.08	192.35	208.93	181.11	190.58
USA (510)	206.70	-0.3	191.99	109.27	150.55	206.70	-0.3	2.75	207.25	192.80	108.84	151.43	207.25	207.25	179.72	183.21
Americas (659)	189.15	-0.2	175.69	99.99	137.77	158.69	-0.3	2.73	189.81	176.40	99.58	138.55	159.12	-	-	-
Europe (741)	178.42	0.1	165.72	84.32	129.95	150.02	-0.1	3.25	178.26	165.84	93.62	130.26	150.18	180.89	180.59	168.21
Nordic (138)	232.31	0.3	215.77	122.81	169.20	207.68	0.1	1.98	231.64	215.50	121.65	169.26	207.45	235.72	197.70	207.93
Pacific Basin (822)	164.38	0.1	152.68	86.90	119.73	93.07	0.7	1.29	164.26	152.82	86.27	120.03	92.47	176.86	145.93	164.73
Euro-Pacific (1563)	170.13	0.1	158.02	89.94	123.91	114.73	0.3	2.14	170.00	158.15	89.28	124.22	114.36	175.14	154.73	166.03
North America (613)	202.21	-0.2	187.82	106.90	147.28	201.78	-0.2	2.74	202.66	188.54	106.43	148.08	202.25	202.66	176.47	179.85
Europe Ex. UK (538)	159.59	0.3	148.24	84.37	116.24	126.92	0.1	2.57	159.17	148.08	83.59	116.30	126.84	162.04	144.12	152.27
Pacific Ex. Japan (339)	240.63	0.2	223.51	127.22	175.27	210.81	0.3	3.31	240.17	223.44	126.14	175.50	210.17	273.13	211.19	246.39
World Ex. US (1771)	170.37	0.1	158.25	90.07	124.09	117.97	0.3	2.16	170.28	158.42	89.43	124.43	117.85	176.85	155.42	166.33
World Ex. UK (2078)	178.75	-0.1	166.03	94.50	130.19	139.31	0.1	2.17	178.83	166.37	93.92	130.67	139.13	178.83	163.46	169.08
World Ex. Japan (1798)	196.03	-0.1	182.08	103.64	142.78	182.40	-0.2	2.96	196.24	182.57	103.06	143.39	182.72	197.35	176.74	180.71
The World Index (2281)	181.17	-0.1	168.28	95.78	131.96	143.86	0.1	2.37	181.29	168.66	95.21	132.47	143.75	181.29	165.82	170.84

Latest prices were unavailable for this edition.

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